



**TOWN OF WINDSOR
FINANCE COMMITTEE
DECEMBER 13, 2023
SPECIAL HYBRID MEETING**

APPROVED MINUTES

1. CALL TO ORDER

Councilor Ojala Naeem called the meeting to order at 7:00 p.m. with Councilor Ronald Eleveld and Councilor Leroy Smith present.

Staff Present: Peter Souza, Town Manager; Jim Bourke, Finance Director

2. PUBLIC COMMENT - None

3. DISCUSSION OF FY25 BUDGET ASSUMPTIONS/PARAMETERS

Town Manager Souza stated results of property revaluation will be a primary factor to consider in preparing the proposed budget over the coming months. At this point, it is projected that with property appreciation due to State-mandated revaluation and economic development growth, the net taxable grand list will increase approximately \$926 million or 26%. Single-family homes are projected to increase over 50% on average while the commercial/industrial property category is expected to see an increase of 7% on average. Appreciation in the commercial/industrial property category is being negatively impacted due to large decreases in office building values. Please note the October 1, 2023 Grand List will not be formally completed until January 31, 2024.

Councilor Eleveld asked what constitutes personal property. Town Manager Souza stated personal property is just for non-residential tax payers. Manufacturers only pay for their office equipment, etc. but anything related to their production is exempt by state law.

Mr. Bourke stated non-property tax revenue categories comprise approximately 16% of the current budget and include such items as State aid, interest earnings, cell tower lease revenue, building permits and other various fees. As in years past, it can be a challenge to forecast non-tax revenues at this early stage in the budget process as a number of factors influence these revenue sources. One uncertainty is the level of municipal state aid we anticipate to receive. We will not know these amounts until Governor Lamont's proposed budget is introduced in February.

Building permit fees, real estate conveyance fees and land recording fees are projected to be similar to what was budgeted from these sources for FY 24. We anticipate improved interest earnings as compared to FY 24 budgeted levels in FY 24 and heading into FY 25. Please note assumptions may change as there is the possibility of downward pressure on interest rates moving forward.

On the expenditure side, our assumptions and projections related to individual expenditure categories will become more firm over the coming months as we compile new data from our

vendors, consultants and cooperative purchasing coalitions. We are currently projecting increases in health insurance costs of approximately 18%. We are forecasting utility expenses to increase by approximately 14%. Retirement costs are expected to increase approximately 3%. The budgeted unit price for gasoline and diesel fuel are projected to increase modestly. The Metropolitan District Commission (MDC) ad valorem sewer assessment is projected to increase by approximately 1%. Regarding the capital spending, we already have a decrease in there, that which reflects the community investment money that the Council adopted last year as a strategic way to be able to have that come off in the FY 25 budget to help.

Councilor Smith asked about the option of using Opening Cash. Can that be combined with phasing? Town Manager Souza stated that it could be. There's several different potential actions and options that the Council can use to help mitigate, to an extent, the impact. Town Manager Souza outlined other options.

Councilor Naeem wanted to clarify that we are presently focusing on the budget assumptions, but during the January Finance Committee meeting, we'll dive into a little bit more about the options and what they look like and what they might allow us to do. Town Manager Souza said they could create a few scenarios. We try to separate out budgetary tax impact versus revaluation impact. This is so the Council and the community understand how much the increases relate to for things that the town can control. Town Manager Souza gave an example of what the budgetary impact might look like for a median valued house in Windsor. He also spoke of revaluation and its possible impact on the budget.

Councilor Eleveld said there might have also been a shift where residents paid about 50% and businesses in total paid about 50%. That shift is probably going to be around a 4%-5% shift increase on the residential side. Town Manager Souza said if he's talking about overall, including property taxes and vehicle taxes then yes that is correct.

Councilor Eleveld stated he's guessing it will be about a 5% shift. So that's 5% increase in taxes just on the shift. Assuming all values are the same but business has reduced by 5%, then the burden would be 5% greater on residences, correct? The second question he has is regarding the AAA bond rating. If we use money from opening cash to pay for something other than capital expenditures, all of that is going to potentially risk the AAA rating. Town Manager Souza said that the Standard & Poor's will keep an eye on it but won't have an automatic switch on it. He explained if we get to that 15% or below, we're not making attempts to replenish it. He doesn't think they would put us on a 'watch.' He explained further that there are several components to the score that gets considered. Mr. Bourke also gave an explanation regarding the AAA rating and using opening cash.

Councilor Eleveld asked if there were any big buildings that came aboard this fiscal year. Town Manager Souza said so far in FY 24 nothing has come in at this point.

Councilor Eleveld asked about Founder's Square. Town Manager Souza stated the value is probably near \$20-\$25 million. So that will come on this year's roll.

Councilor Eleveld asked if interest rates are at 3.5%. He's thinking closer to 3%. Town Manager Souza said that it's a blended rate. Some of our money is not in that money market, so it's locked

in a little bit for a longer term at the blended rate. Mr. Bourke gave an update on the town bank and CD accounts and the blended rate.

Councilor Eleveld asked about the self-insured plan. Is the 18% increase because of our experience or because our actual expenses. Mr. Bourke stated the 18% is based on claims, actual claim experience going back two years. We had a period of time when our claims were high.

Councilor Eleveld said that includes the premium we pay for our insurance coverage and stop loss, correct? Mr. Bourke said that was correct. Town Manager Souza discussed the rise on the health side is the prescription drugs which have escalated dramatically and we've had a half dozen folks on specialty drugs which gets factored into it.

Councilor Eleveld asked about the defined benefit. The 3% increase is due to salary increases because we're paying a fixed percentage? Mr. Bourke answered yes.

Councilor Eleveld asked about Great Pond and if it is based on the additional properties coming up. Town Manager Souza stated that it is a Tax Increment Financing district where we share 50% of the real estate and personal property. They pay it. It pays for the infrastructure and the tax development or tax growth based upon development.

Councilor Naeem asked if there is any sort of timeframe that is in place for Great Pond? What do we have? Town Manager Souza stated that project has multiple phases, so it's whatever their term is that they are borrowing and paying it back. We retain about \$80,000 right off the top of their revenue and then we keep all motor vehicles and then personal property and real estate gets split 50/50.

Councilor Naeem asked who is overseeing the fund. Town Manager Souza stated there's a separate entity called the Great Pond Improvement District. The Town Council has an appointee on that committee which is Don Jepsen, former town council member, and then he and Jim attend all the meetings.

Councilor Eleveld asked if the money is used to pay down the debt infrastructure of putting in all the roads to sewers, etc. Town Manager Souza said if there is a shortfall for whatever reason, there is the ability for the Improvement District to assess the property. The debt is not considered Town of Windsor debt, it's considered overlapping debt and not direct debt.

Councilor Smith asked about the taxes collected, \$800,000 was left with the town. How much was given to the Great Pond Improvement District? Town Manager Souza said it's roughly an equal amount. For FY 24, its \$623,000 that was transferred to the town. He explained further.

Councilor Eleveld asked about the split and clarified it to his understanding.

Councilor Eleveld asked about fuel consumption.

Councilor Eleveld asked why the debt service is up 3%. Are we expecting higher rates on some of the debt? Town Manager Souza answered they are following the guidance that the Council

has had to try to have a stabilized appropriation each year to debt service and that's 3%. Town Manager Souza explained further about the debt service reserve fund.

Councilor Smith stated going back to the question you were asking about the effect of the bond rating if we use this. It is what is considered an extraordinary event where your resident goes up 50% and your commercial goes up 80%. He just wants to make sure it wouldn't be held against the town. Town Manager Souza said that's right, it's how you recover. We'll commit out 3-4 years. He explained that he and Mr. Bourke are looking at strategic approaches in the next 30+ days to have that together so we can share it. Town Manager Souza gave some examples and went over an example of using opening cash.

Councilor Naeem stated that it's important to have an understanding around that little bit of a longer-term planning as we think about what we are using and the different scenarios and levers we're pulling in terms of the potential impact for the coming three years as we're evaluating the budget. All of this does not go away next year.

Councilor Eleveld said by taking \$1 million in year one you're not making a systemic change. You're going to need \$2 million in year two and \$3 million in year three and \$5 million in year five. The committee continued to discuss the impact on the budget for this scenario.

Councilor Eleveld asked what the bonding agencies are saying the town needs? Town Manager Souza stated that it is presently at 15%-20%. Town Manager Souza explained possible ways and gave scenarios in which Opening Cash can be used.

Councilor Naeem stated our commitment for support to the Windsor EMS is 3% increase on the report. She's assuming that is for their general operating expenses. Any of the funds that we committed for the plan that was put into place a couple of months ago, is that impacted or reflected relative to the capital. Town Manager Souza said this 3% does not reflect that. The major capital components are when the vehicles begin to arrive, which you know is in an 18 month outlook. Those lease payments are expected to start in FY 26 not in FY 25.

Councilor Smith asked about the surplus cash that was generated by some of the tax abatement that expired. He explained his understanding of what he believed was a part of the process and how surplus cash was created. Town Manager Souza said we are factoring that in as grand list growth. So it's not necessarily creating a surplus because that split's been budgeted. As the Council adopts the budget, that's factored in. The significant contribution from the wave of economic development has been building permit revenue, where the Town Council has purposely been conservative on the building permits side of it, because we don't know that cycle. If it hits June 30th that would be great for one year, but it doesn't help the next fiscal year. From an economic development prospective, those large projects when we get more building permits than we expected, that's what helped increase the surplus.

Councilor Eleveld stated there is an increase built into the grand list number which will be an increase of 15%. Town Manager Souza stated that is reflected in the grid. You're seeing two bumps, one from personal property that came online from the Amazon and we're seeing their tax abatement step down. That's built into all of the numbers. Then in FY 26, it will be fully valued.

Councilor Naeem asked if Town Manager Souza is expecting the same level of detail to go before the Town Council. Town Manager Souza stated that they do not generally do that. They will try to recap it and then answer questions.

MOVED by Councilor Eleveld, seconded by Councilor Smith that the Finance Committee recommend to the Town Council that the attached FY 25 budget assumptions and parameters be approved as presented.

Fiscal Year 2025 Budget Assumptions and Parameters

Revenues

Overall State Aid projections will be consistent with FY 24 adopted levels, and adjusted as based on the Governor's budget which will be released in early February.

Building permits, conveyance fees and land recordings are projected to remain level with FY 24 adopted budget amounts.

Interest earnings are anticipated to remain favorable for FY 25. We are estimating a rate of return for FY 25 of approximately 3.5%.

No opening cash will be included as part of the Town Manager's proposed budget, as per the Town Council's June 2021 direction. Alternative scenarios utilizing cash reserves will be presented for consideration.

Expenditures

Employee and retiree insurance benefit self-insured claims and premiums (health, prescriptions, dental, life and disability) are projected to increase approximately 18% (\$690,000).

Town contributions to defined benefit and defined contribution retirement plans are forecasted to increase approximately 3.0% (\$165,000).

Transfer payment to Great Pond Improvement District is expected to increase 120% due to the completion of new private developments and resulting Grand List growth (\$760,000).

Budgeted costs for utilities (electricity, natural gas, water) are forecasted to increase 14% (\$240,000).

Budgeted per gallon costs for gasoline and diesel are expected to increase 3.5% (\$14,000).

MDC sewer ad valorem is expected to increase 1.0% (\$47,000).

General Fund appropriation for debt service is a planned increase of 3% (\$250,000).

Capital spending is forecasted to decrease 19% (-\$680,700). This is related to the Town Council funding a Community Investment Initiative program for FY 24.

No increase in the appropriation for Other Post-Employment Benefits (OPEB), which is budgeted at \$800,000 in the FY 24 budget.

Continue contribution to the Caring Connection (FY 24 adopted budget \$100,000).

Provide continued financial support to Windsor EMS reflecting an estimated 3% increase (\$20,000).

Service Delivery

In recognition of property revaluation impacts, present a budget that attempts to maintain current levels of service as well as identifies needed resources to address unmet and emerging service delivery needs (e.g., traffic enforcement, workforce development / succession planning, senior transportation, infrastructure maintenance, cyber security, affordable senior and workforce housing). Continue multi-year investment program in open space preservation as well as asset management activities including pavement management, fleet, technology, facilities, athletic fields, and park facilities.

Motion Passed 3-0-0

4. DISCUSSION OF FY25 BUDGET FORMAT

MOVED by Councilor Eleveld, seconded by Councilor Smith that the Finance Committee recommend to the Town Council that the FY 25 budget format remain the same as FY 24.

Town Manager Souza stated that the Finance staff is not proposing any changes to the budget format for FY 2025. As was done for the FY 24 budget, we will be presenting American Rescue Funds (ARF) grant revenues and expenditures in the applicable department budgets of the FY 25 budget to reflect initiatives that have been approved by the Town Council, as well as the associated information on the special revenue page for American Rescue Funds.

Town Manager Souza stated they are doing some reorganization of the Department of Public Works. For example, 6-7 years ago, we combined DPW and Engineering. Right now, we are going to be putting Engineering back under the Development Services service unit. So there will be some shifting there, but it's not a format change.

Councilor Eleveld asked for some context for comparison purposes. Town Manager Souza said there is only that one piece.

Motion Passed 3-0-0

5. DISCUSSION OF PROPOSED FY 25 BUDGET CALENDAR

MOVED by Councilor Eleveld, seconded by Councilor Smith that the Finance Committee recommend to the Town Council that the FY 2025 budget format remain the same as FY 24.

Town Manager Souza said presently the calendar calls for Town Council discussion and preliminary deliberations for Monday, April 22, 2024, which is the first night of Passover. Budget adoption is proposed for Wednesday, April 24, 2024. A question exists if the Council would like

to forgo the April 22nd session and meet for public comment and adoption on April 24th. An alternative would be to meet on April 23rd to hear public comment and preliminary deliberations.

As in years past, the formal setting of the referendum date is established when the Town Council adopts the budget. The recommended date for the Adjourned Town Meeting (referendum) is traditionally the second Tuesday of May, which would be Tuesday, May 14, 2024.

Councilor Naeem asked if we were to move the date during the school week, could we still keep the board event on the April 15th date but shift some of the other ones into the school week. Town Manager Souza said yes, that could be done.

Town Manager said the other question is for the April 22nd meeting which is the first night of Passover that starts at sundown. Councilor Naeem stated she would recommend moving it. She thinks they should split up the 15th and 17th. Adding another day the week before would be helpful.

Councilor Eleveld stated he would agree with Councilor Naeem however he is concerned about other councilor's schedules and if their kids will be having a vacation during the school break.

Councilor Naeem stated that we could ask those councilors and adjust the schedule accordingly.

Councilor Eleveld gave some other options for scheduling.

Discussion ensued regarding the dates to reschedule the meetings.

Motion Passed 3-0-0

Amendment to motion

MOVED by Councilor Naeem, seconded by Councilor Smith to propose an amendment to the original motion on the table to add a meeting on the week of April 8th and also recommend moving the meeting from April 22nd to the 23rd so we aren't meeting on the night of Passover.

Motion Passed 3-0-0

6. STAFF REPORTS

Town Manager Souza said the audit is in the process of being wrapped up. Mr. Bourke stated they are still working on the financials. Town Manager Souza said by State law the audit needs to be filed with OPM by the 31st of December. Then the audit firms have asked for a 30 day extension as they have to go through peer review within their firm. Hopefully, we'll have that squared away in January. We will then schedule a Finance Committee meeting in February and have the auditors come in to provide an overview.

Councilor Naeem said we've been pushing people to go to the website for the information on revaluation. More resources have been added to the site. Some people have reached out to try to better understand this. It is not easy, it's complicated and is not a normal tax year because of revaluation. We've been talking about having a public session to just talk about what it is and how

it's broken down. We are thinking of putting that out in late January so we're ahead of the deadline for the Board of Assessment Appeals, correct? Town Manager Souza stated he'd like to be able to do it in that January time frame, but the calendar is tough especially if the Town Council is thinking about some other staff retreat and some other group discussion around priorities and goals. But yes, we'd like to do something towards the end of the month which would be an informational meeting hosted by staff.

Councilor Smith said he knows of a few people that missed the deadline for an appointment with Vison Appraisal and was wondering if Vision Appraisal would come back to help with that. Town Manager Souza said we'd have to investigate and see. He believes there are 2-3 more days next week that they can still try and schedule an appointment or they can reach out to the Town Assessor's office. His understanding is there is still some time slots available.

7. APPROVAL OF MINUTES

MOVED by Councilor Eleveld, seconded by Councilor Naeem, to approve the unapproved minutes of the October 30, 2023 meeting as presented.

Motion Passed 2-0-1 (Councilor Eleveld abstained)

8. ADJOURNMENT

MOVED by Councilor Eleveld, seconded by Councilor Smith, to adjourn the meeting at 8:22 p.m.

Motion Passed 3-0-0

Respectfully submitted by,

Helene Albert
Recording Secretary