



TOWN OF OLD SAYBROOK
Board of Finance

302 Main Street • Old Saybrook, Connecticut 06475-1741

BOARD OF FINANCE
SPECIAL MEETING MINUTES
FEBRUARY 19, 2019 6:30 P.M.
FIRST FLOOR CONFERENCE ROOM

BOF Attendant Members

David LaMay, Chairman
Carol Rzasa, V. Chairwoman
Tom Stevenson
Barry O’Neill
John O’Brien
Paul Carver
Donna Nucci

Absent Members

In Attendance

Carl Fortuna, First Selectman
Lee Ann Palladino, Finance Director
Bob Fish, Treasurer
Ray Allen, Director Parks & Recreation
Steve Mongillo, Director, WPCA
Gerri Lewis, Clerk

1. Call to order:

Chairman LaMay called the meeting to order at 6:30 P.M.

2. Pledge of Allegiance:

Chairman LaMay led the pledge.

3. Roll Call: All present

4. Minutes

A motion to approve the minutes of December 18, 2018 was made by Ms. Rzasa, seconded by Mr. O'Brien was so voted unanimously.

5. Policy Proposal

The following amendment to Mr. O'Brien's Policy Proposal was submitted to the board for consideration:

Town of Old Saybrook Capital Planning Policy

The purpose of the Capital Planning Policy is to establish a framework for capital investment for the Town of Old Saybrook. Capital projects are generally long term investments in Town infrastructure, technology, major equipment and buildings. Capital planning is critical to providing essential services to Town residents as well as an integral part of economic development. As such, funds shall be allocated at least annually to provide capital to meet the Town's long term capital plans.

I. Amount of Capital Allocated through the Annual

Budget Process. The allocation of capital will be a function of the strength of the Town's fund balance, the amount of long term debt and capital requirements. As a general rule, the Town prefers to build capital reserves to pay for asset acquisition as opposed to borrowing in the

capital markets. The allocation of capital budgeted annually shall be based on the following financial framework:

- a. As outlined in the Town's fund balance policy, the town will strive to build and maintain the unassigned fund balanceⁱ. When the unassigned fund balance is within its targeted range, appropriations for unanticipated capital projects may be made against the unassigned fund balance.
- b. Should the town's unassigned fund balance fall below the targeted threshold, surplus funds and other financial strategies may be considered to build the unassigned balance back up to the targeted level. Capital projects appropriated against the unassigned fund balance should be carefully assessed.
- c. The Town will maintain a Municipal Reserve Fundⁱⁱ which includes a capital non-recurring fund, other capital reserve funds, and make yearly contributions to these reserve funds to pay for ongoing capital projects.
- d. The amount allocated toward capital on an annual budget basis shall be considered in terms of total debt service and capital allocations. The annual debt service plus capital allocation is targeted to be 10% of the annual budget or less.
- e. Debt-financed projects must have useful lifespans of seven or more years, borrowing terms of 20 years or less, and deemed a viable debt offering by the Town's independent bond and investment consultant.

- f. The Town recognizes the importance of funding the annual capital plan. The Town is committed to funding a fiscally sustainable, multi-year capital plan to effectively manage capital investment. This plan will identify and prioritize capital expenses. The use of reserves and annual capital allocations will support the multi-year capital strategy.
- g. The First Selectman, in coordination with the Town's department heads, will be responsible for bringing forth capital needs to be considered within the upcoming three to five year periods.

II. Identification of Capital needs. In the development of the longer term capital plan, the Town will utilize the following to identify and prioritize capital needed:

- a. Consideration of existing capital asset life cycles, which should include the cost to operate, maintain, administer or replace the assets.
 - i. As an example, a preferred model would be to purchase equipment on lease where the life cycle and term of lease are similar, use of maintenance warranties to lock in the cost of repairs, and replace the equipment at the end of the lease.
 - ii. Use of sinking funds to save for large dollar purchases and/or expensive maintenance
- b. Use of strategic studies. For complex capital planning, the use of a reasonably priced consultant to create a plan of action is encouraged. Strategic capital plans should identify long term capital goals (both

existing and new assets), provide a positive non-financial impact on the community, and/or help with the Town's economic development.

c. Projects with revenue generating potential

III. **Capital Planning.** A capital plan will be recommended to the Board of Finance for its consideration by utilizing the following framework and approach:

- a. A capital planning committee will be established for all projects that exceed ten thousand dollars (\$10,000). This committee will consist of the First Selectman, Finance Director and two Board of Finance members. The charge of this committee will be to coordinate department capital requests, assess the competitive process of the request, review recommendations and specifications and determine capital priority. Capital recommendations will be then be presented to the Board of Finance for a determination on which projects will be funded. Capital requests may bypass the committee and go directly to the Board of Finance if they are of an emergency nature or there is a crucial timing issue. At a minimum the committee will:
 - i. Require all requests for capital expenditures contain the specification for the capital expense. The cost of materials and labor must be included.
 - ii. Ensure that all capital requests meet the minimum requirements for procurement as described in the Town charter.
 - iii. Require all requests for capital expenditures have an estimated completion date.

- iv. The Town may use State of Connecticut preferred vendor pricing. For all other bids:
 - 1. Requests for Proposal (“RFP”) may be used on any size project, but will be required on all projects greater than \$25 thousand
 - 2. Projects between \$10 and \$25 thousand: At a minimum specifications will be developed and the request for bids will be listed on the Town’s website. The department head will assess the top three low cost/responsible bids. If there are less than three bids, up to and including one bid, the department head may submit that bid provided it is reasonably priced and a responsible vendor.
 - 3. Projects under \$10 thousand will typically be included in the department’s annual capital expenditure budget.

A motion to approve the amendment was made by Mr. O’Neill and seconded by Ms. Rzasa. Discussion: Mr. O’Brien felt that his original policy proposal was sufficient. It was agreed that this item should be tabled for further discussion.

A motion to table this item was made by Ms. Rzasa, seconded by Chairman LaMay and was so voted unanimously.

6. WPCA Budget Discussion

Steve Mongillo, Director of WPCA discussed his budget. The WPCA budget is down \$23 thousand dollars due to the reduction in hours of certain employees and an overall reduction

in expenses. This is a reflection of the winding down of phase two of the septic project.

The board had several questions and comments.

Chairman LaMay thanked Mr. Mongillo.

7. Parks & Recreation Budget Discussion

Mr. Paradise, Assistant Director and Mr. Allen, Director of Parks and Recreation discussed their budget. Program goals and objectives were discussed briefly.

Their hand-outs included accomplishments and major objectives.

Parks & Recreation is broken down into 4 budgets: Recreation; Mini Golf; Vicky Duffy Pavilion; and Parks. This budget has a total increase of 7.16%.

Chairman LaMay thanked Director Allen and Assistant Director Paradise.

At this time a motion by Ms. Rzasa, seconded by Mr. Carver to add Selectman's Budget Report to the agenda was so voted unanimously.

8. Selectman Report:

The following report was submitted by Selectman Fortuna:

To: Board of Finance

From: Carl P. Fortuna, Jr., First Selectman

Subject: Presentation of Fiscal Year 2020 Budget

Date: February 19, 2019

Recommendation

At the February 19, 2019 Board of Selectman meeting, I will present for your consideration the Fiscal Year 2020 (“FY20”) budget approved by the Board of Selectmen at its February 13, 2019 meeting.

Background

The proposed budget is the final product of several joint Boards of Selectmen and Finance budget workshops designed to review and assess budget presentations by Town department heads. As required by the Town Charter, the finalized proposed budget must be presented to the Board of Finance by March 1st.

Present Financial Condition of the Town – Fiscal Year 2019

Revenues

Through January 31, 2019, revenues of \$42,516,560 have been collected FY19 to date, which are projected to reach \$45,864,112 by the end of the fiscal year. This projection will exceed budgeted revenues of \$45,605,080 by just under \$260 thousand.

The vast majority of total revenues collected to date, \$41,270,506, are from current year taxes, of which 95.14% of the budgeted amount has been collected. Other sources of town revenues are tracking to meet their budgeted amount, which include telecommunication taxes and other local revenues.

Due to conservative budgeting practices, the Town budgeted \$375,000 in State funding. Overall, the Town's reliance on State revenues is not material and accordingly does not have a major impact on the budget.

Expenditures

To date through January 31, 2019, \$26,838,539 of expenses has been realized against a budget of \$45,605,080 or 58.8% of the total budget. At this time, projections through the end of the fiscal year are expected to be in line with the overall budget.

Budget for FY20

I am pleased to present the General Government budget for FY20 that projects an increase of \$193,791, or up .98%. The Grand List of October 2018, which the property taxes for this budget will be based upon, reflects the most recent state mandated revaluation. During the revaluation, the Town recognized an increase in market value of approximately \$28 million, which at the current mill rate, would increase town wide property tax revenues by approximately \$456 thousand, net of the elderly tax relief but still pending assessment appeals. This increase in tax revenues will offset, to some extent, a portion of any increase in the town wide budget.

Over the past five years, I have been committed to creating a methodical and thoughtful budget process to ensure appropriate funding to meet the service needs of the Town while creatively redesigning operational processes, prudently renegotiating contractual terms, and addressing long term capital needs and liabilities. From an operational standpoint the work done in FY19 will continue to affect not only FY20 budgets, but the permanent changes keep expenses in check across multiple fiscal years:

- ✚ I continue to reorganize Town Hall departments, which for the last fiscal year included the Assessor's department, Public Works and the Transfer Station, in some instances reallocating or eliminating salary and fringe benefit expense.
- ✚ After formalizing the hiring process, I continue to strengthen the human resource function by revamping the employee handbook, employment offer letters and providing staff training to keep pace with the ever-changing laws and regulations that surround employment practices. By focusing on hiring strong team members, and encouraging solid human resource management, not only do long term liabilities decrease for our Town, but our operational efficiencies flourish via new ideas, automation and streamlining of manual processes.
- ✚ We continue to protect our Town's data and information systems through a well-designed information technology strategy that moves the Town's data from internal servers to the cloud – again pro-actively managing risk and Town liabilities.
- ✚ All contractual arrangements are carefully reviewed and renegotiated on an ongoing basis. This includes collective

bargaining contracts, benefit plans, and building maintenance.

- ✚ With regard to the Town's outstanding debt, it is poised to rapidly decline over the course of the next decade. Of course, our WPCA program is still ongoing and a significant amount of work remains, which will likely contribute to our bonded indebtedness.
- ✚ Contributions to pensions remain steady and now the Town's plan stands at strong 92% funded. All eligible new employees now participate in the Defined Contribution plan – further reducing long term commitments.
- ✚ Reserve funds have been created and funded at an increasing pace annually to address purchases on large equipment, building maintenance and other high cost purchases. This smooths out budget fluctuations over the long term.

By keeping our eye on the long term our yearly budgets have met both short-term operating obligations and successfully planned for the future in a cost effective manner to maintain financial health for the next generation of tax payers. The budget for FY20 is no exception and the specifics of the proposed budget are outlined below.

FY20 Revenues

General Fund Revenues for FY20 are set to equal the Expenditure Budget. Local property taxes (commercial, residential and personal) are projected to make up the majority of the General Fund revenues. Local fees will contribute approximately 2.5% to total revenues.

The Town will again project \$375 thousand in State funds for this year's budget. Should the Town receive funds in excess of the budget amount it is recommended that the excess be placed in a reserve fund to assist with future fluctuations in State funding. Local revenues remain flat.

FY20 Expenditures

All told, the Town-wide budget is up \$904,691 or 1.98%. The major contributors to this amount include the GG budget, debt service and the Board of Education. With regard to the GG budget:

- Department heads continue to closely manage resources and focus on creating efficiency and the bottom line. Over the past several years, the Town has not added any new positions, and in fact through attrition several functions have been reorganized. This budget does contemplate adding one half of a third shift dispatcher position.
- During this budget season, the Youth and Family Services ("YFS") Budget will be moved into an off budget account and the Town will make a \$406,728 appropriation to augment grants and clients fees which will support the budget. The decision to change the practice of funding the YFS was made to streamline the accounting of on and off budget revenues and expenditures, to make the management of the department more efficient and to allow YFS staff members to focus on the mission of their department.
- Debt service is projected to decline \$217 thousand over last fiscal year and will contribute to keeping overall expenses low for FY20.

✚ The Board of Education approved an increase in their overall budget of \$710,925 or 2.75% over FY19. This budget will now be subject to Board of Finance review and possible revision.

Budget Summary – Expenses for FY20

	FY 2019	FY 2020	\$ Increase	Percentage
General Government	16,33	16,75	411,1	2.52
Operating Expense	9,824	0,940	16	%
Debt Service	3,455,429	3,238,104	-217,325	-6.29%
Total General Government Expense	19,795,253	19,989,044	193,791	0.98%
Board of Education	25,80	26,52	710,9	2.75
Operating Expense	9,822	0,727	25	%
Total Government	45,605,080	46,509,771	904,716	1.98%

Prior to Selectman budget modifications, General Government Department heads submitted budgets totaling \$16,895,401, an increase of \$555,577 thousand over FY19, up 3.40%. Including debt service of \$3,238,104, the total general government budget totaled \$20,133,505.

I have made a total reduction in the amount of \$144,461 to the Department Head Budgets as outlined below.

Amount	Department	Comment
(\$23,729)	Various salaries	During FY20 leap year will occur. The one extra day of salary be provided from a contingency reserve
(\$130,853)	Police Department	<ul style="list-style-type: none"> • A decrease of \$42,973 from Field Service budget to reflect actual salaries vs final salary • \$67,880 from the Support Service budget to recognize 6 months of a new full time dispatcher vs. a full year • \$20 thousand from the fuel expense line item of the PD general expenditure budget
\$7000	Water Hydrant	Reflects actual increase in water expense for FY20, budget has been adjusted to reflect this increase.
\$3,122	Political Sub Division	Adjusted original budget requests with actual.

FY20 Capital Reserves

This budget reflects the continued practice of reserving today for future expenses. Funds in the amount of \$734,591 will be added to reserve accounts, through the capital outlay budget, that accrue for fire department apparatus, public works equipment, capital non-recurring items, revaluation expenses, catastrophic illness, general contingency and retirement payouts. Named projects are also slated for fiscal year 2020, which include a one-time reserve for leap year payroll.

FY20 Capital Expenditures

An amount of \$574,804 thousand has been identified for FY20 capital expenses associated with the Fire Department, Police vehicle lease, continued work on town roads, building maintenance and investment in technology infrastructure.

All recommendations for capital expenditures and capital outlays will be funded through the general government budget. Capital Outlay funds will be transferred to off budget funds while capital expenditures, found in the designated line item budget, will be expensed as used during the upcoming fiscal year.

In sum, it is important to view the budget as a planning document, one that provides our citizens with the best service at the best value, one that looks forward to the next fiscal year and beyond and one that pays close attention to State finances. I believe this General Government budget accomplishes these important goals. The Town's mill rate is currently 19.6. The FY19 budget actually reduced taxes to most Old Saybrook residents, a first for our town in the last several decades. The FY20 budget, inclusive of the Board of Education budget, will likely see a small increase in the mill rate. As guidance as to what that rate might be, I offer the following:

1. Assuming the proposed Board of Selectman ("BoS") GG budget increase of \$193,791 and the BOE proposed budget increase of \$710,178, the mill rate would likely increase approximately .25 mills
2. Assuming the BoS GG budget increased by \$193,791 and the BOE budget increase was reduced to \$600,000 (an

increase of 2.3%), the mill rate would likely increase approximately .2 mills.

3. Assuming the GG budget increased by \$193,791 and the BOE budget increase was reduced to \$500,000 (an increase of 1.9%), the mill rate would likely increase approximately .15 mills.

These numbers all assume approximately \$350,000 in new revenues as a result of revaluation, which number is subject to fluctuation as we proceed through the appeals process.

To give you an idea as to the tax implications of these numbers, I offer the following examples:

		Mill Rate Increase		
Home Market Value*	Assessed Value*	.25 Mill	.20 Mill	.15 Mill
\$325,000	\$227,500	\$56.88	\$45.50	\$34.13
\$450,000	\$315,000	\$78.75	\$63.00	\$47.25
\$575,000	\$402,500	\$100.63	\$80.50	\$60.38

**The mill rate is calculated off of the assessed value which is 70% of properties market value.*

Historically speaking, these mill rate increases are well below average (excluding the last few years of particularly low mill rate increases). Old Saybrook's Boards of Selectmen and Finance have always done a fine job of keeping a watchful eye over expenses and maintaining a low mill rate. This budget,

regardless of where it falls, will continue to do the same as we continue to closely monitor and safeguard the town finances.

¹ Excerpt from Town's Fund Balance Policy: "It is the goal of the Town to build an unassigned fund balance in the GF at each fiscal year end of 12% or more of approved GF annual expenditures. Fund balances that fall within the range of 10% to 12% are deemed to be healthy and no action or reporting is required. Should the unassigned GF fund balance fall below 10% at fiscal year end, the Board of Finance shall be notified. Should the unassigned GF balance fall below 5% the First Selectman shall develop a restoration plan to rebuild the minimum fund balance and present it to the Board of Finance for their approval."

¹ Excerpt from CGS regarding the Municipal Reserve Fund: "Upon the recommendation of the budget-making authority and approval by the legislative body, there shall be paid into such reserve fund (a) amounts authorized to be transferred thereto from the general fund cash surplus available at the end of any fiscal year, (b) amounts raised by the annual levy of a tax not exceeding four mills for the benefit of such fund, and for no other purpose, such tax to be levied and collected in the same manner and at the same time as the regular annual taxes of the municipality or (c) surplus cash funds already held in reserve and available for such capital or nonrecurring expenditures as are contemplated by the terms of section 7-364."

Thank you.

Carl P. Fortuna, First Selectman
Scott Giegerich, Selectman
Carol Conklin, Selectman

Chairman LaMay thanked Selectman Fortuna.

9. Public Comment: None

Adjournment: A motion to adjourn at 8:26 p.m. by Ms. Rzasa, seconded by Mr. Stevenson was so voted unanimously.

This meeting was video-taped and can be viewed on Town Website YouTube.

Submitted: Gerri Lewis, Clerk
