



TOWN OF OLD SAYBROOK
Board of Finance

302 Main Street • Old Saybrook, Connecticut 06475-1741

BOARD OF FINANCE MEETING MINUTES
August 20, 2019 7:00 P.M.
FIRST FLOOR CONFERENCE ROOM

BOF Attendant Members

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

Absent Members

Donna Nucci

In Attendance

Carl Fortuna, First Selectman
Bob Fish, Treasurer
Lee Ann Palladino, Director of Finance
Jan Perruccio, Superintendent of Schools
Julie Pendleton, Director of Operations, Facilities and Finance
Gerri Lewis, Clerk

1. Call to order:

Chairman LaMay called the meeting to order at 7:00 P.M.

2. Pledge of Allegiance:

Chairman LaMay led the pledge.

3. Roll Call: Ms. Nucci absent.

4. Minutes

A motion to approve the minutes of June 4th, 2019 Meeting was made by Ms. Rzasa, seconded by Mr. Carver. Discussion: Whether or not to list names of votes. Motion passed by Mr. O'Brien, Mr. O'Neill, Mr. Carver, Ms. Rzasa, Mr. LaMay, Mr. Stevenson.

A motion to approve the minutes of July 2, 2019 Meeting was made by Mr. O'Neill, seconded by Ms. Rzasa and motion passed by Mr. O'Neill, Mr. Carver, Ms. Rzasa, Mr. LaMay, Mr. Stevenson. Mr. O'Brien abstained.

5. Treasurer Report

Treasurer Fish went over his reports which were handed out to the board. He noted that the complete general purpose financial statements and related notes, as required by governmental auditing standards, are being prepared by Mahoney Sabol as a part of their annual financial audit of the Town. The complete audit report will be available for public review in the office of the Town Clerk and on the town's website at www.oldsaybrookct.org.

Treasurer Fish noted that the total general fund revenue variance between budget and actual of \$520,279 was mostly property taxes. He went through the general fund expenditures as well.

These reports can be seen in the Treasurer's Office.

Chairman LaMay thanked Treasurer Fish.

6. Consideration And Possible Action On Fund Balance Policy Modification

The purpose of this possible action is to recommend that the Board of Finance approve the revisions to the Town's Fund Balance Policy and to create a new fund called "Debt Service Stabilization Account".

Background

At the September 19, 2017 Board of Finance meeting, the current Fund Balance Policy was approved. Section III of this policy, entitled "Minimum Unassigned Fund Balance" set a target of 12% or more as the percentage of unassigned funds to the General Fund expenditure budget. The Town has exceeded the 12% target and recommends setting the new target at 15%, a level that is recognized as prudent and is similar to the average percentage of Connecticut municipalities. With the close of Fiscal Year 2019 ("FY19"), this target will be achieved. Therefore, new language has been added that requires the Board of Selectmen to recommend a course of action for the use of excess surplus funds. This action is recommended so that a decision is required to be made annually should the fiscal year end with surplus funds projected to be in excess of the 15% policy.

It is also recommended that the Town set up a “Debt Stabilization Fund”. Stabilization funds are used to set aside surplus revenue for times of unexpected revenue or expense deficits or to mitigate yearly budget spikes. Stabilization funds will mitigate risk during fiscal stress or fiscal years with large budget swings. This occurs most often when new debt is issued and debt service increases significantly. The Town is presently in a situation where debt is being significantly paid down and it is fiscally prudent to begin setting aside funds for future debt projects, which could include funding for a number of different projects such as:

- New 911 communication equipment
- WPCA program
- Possible road construction
- Other types of large construction projects where bonding is appropriate

Over the longer term it is recommended to continue to add to monies to the Debt Stabilization Fund, if possible, so that budget spikes can be minimized.

A motion to approve the modification of the Fund Balance Policy as presented was made by Mr. Carver, seconded by Ms. Rzasa. Discussion: It was discussed that this would be under the control of the Board of Finance and the Board of Selectmen. Motion was so voted by Mr. Stevenson, Mr. O’Neill, Mr. O’Brien, Mr. LaMay, Ms. Rzasa and Mr. Carver.

7. DISCUSSION OF FISCAL YEAR 2019 FINANCIAL PERFORMANCE

Summary

Selectman Fortuna announced that the Town’s conservative budgeting practices have led to an estimated surplus for the fiscal year period ending June 30, 2019 (FY19), of approximately \$1.020 million. This surplus will be added to the Town’s “rainy day”, budget reserve fund or the unassigned fund balance for the General Fund. The rainy day fund ended FY19 at \$6.2 million. With the addition of the projected FY19 surplus, the rainy day fund is now approximately \$7.2 million. Over the past several years, and in accordance with the Board of Finance’s Fund Balance Policy to target a Budget Reserve Fund Balance of 12%, the Town has worked toward building its rainy day fund from a rate of 6.5% in 2012 to its current projected level of approximately 15.5% of the FY20 budget. The attainment of the budget reserve goal, prudent budget practices, and the building of capital and other long term liabilities reserves all contributed to a strong financial foundation that will provide the Town with the financial tools it may need to navigate through difficult or uncertain economic periods.

The surplus of \$1.020 million is mainly attributable to higher than expected revenues of \$520 thousand and under spending the expenditure budget in the amount of \$499 thousand.

Revenues

Town revenues of \$46,364,324 came in \$520 thousand more than budgeted for several reasons.

Revenue	FY19 Budget	Actual	Surplus
Total Taxes	\$43,995,880	\$44,516,590	\$520,710
State Revenue	\$ 375,000	\$ 447,205	\$ 72,205
Local Revenue	\$ 1,234,200	\$ 1,400,529	\$166,329
Budget Appropriations	\$ 238,966		(\$238,966)
Total FY Budget	\$45,844,046	\$46,364,324	\$520,279

First, taxes of \$621 thousand over the budget were collected with a large portion of that amount, \$265 thousand, associated with back taxes. Secondly, the Town budgeted \$375 thousand in State revenues and received \$447 thousand, or \$72 thousand more than expected. During the FY19 budget process, it was decided to conservatively budget State revenues to mitigate the State's practices of cutting financial aid to the Town mid-year. The State did provide the Town with all of the grants that it stated it would pay. Local revenues came in slightly higher than projected.

Further, as it became clear that the Town was ending the fiscal year with strong revenue flows, budget appropriations in the amount of \$238 thousand were made for continuance of the side walk project as well as to move funds into two non-budget accounts to match revenues to expenses. These appropriations were approved at Town meetings.

Expenses

Expense	FY19 Budget	Actual	Surplus
General Government	3,608,511	3,498,319	\$110,192
Public Safety	5,997,761	5,816,238	\$181,523
Public Works	3,539,088	3,376,631	\$162,457
Health & Welfare	699,149	677,961	\$21,188
Culture & Recreation	1,756,211	1,751,392	\$4,819
Education*	25,809,822	25,790,696	\$19,126

Debt Service	3,455,429	3,455,429	\$0
Capital outlay	978,074	978,074	\$0
Total FY Budget	45,844,046	45,344,740	\$499,305

- ❖ Education budget had gross expenses of (\$410,300), which were offset by a special education grant in the amount of \$429,426 for a net surplus of \$19,126.

With regard to budgeted expenses, during FY19, the Town came under budget by \$499 thousand versus the Town wide budget of \$45,844,046. The two General Government functions that contributed the majority of the line item surplus were the Public Safety and Public Works. The majority of the surplus associated with these two functions was due to staffing turnover and the waiver of health benefit waivers. These were both one-time situations that are not expected to be repeated on a regular basis. While the General Government budget was over by \$110 thousand, there were approximately 25 departments that are a subset of this function and none of those departments posted material budget deviation. Finally, all department heads carefully managed their budgets and also helped to contribute to the overall surplus.

The numbers are considered preliminary estimates and will not be finalized until the audit is completed by the Town's external auditor, Mahoney Sabol, for Fiscal Year 2019.

A short Q&A followed.

Chairman LaMay thanked Selectman Fortuna.

8. CONSIDERATION AND POSSIBLE ACTION ON FY19 YEAR-END SURPLUS TRANSFER.

Selectman Fortuna requested that the Board of Finance transfer \$249 thousand from the Fiscal Year 2019 ("FY19") surplus to the newly created Debt Stabilization Fund. In addition, it is requested to also transfer \$2,170 from the Police Department ("PD") Administrative Fund and \$69,913.64 from the PD Outside Services Fund, for a total of \$72,083.64, to the capital non-recurring fund.

Discussion

The Town's surplus is projected to total \$1.020 million. The Town's unassigned fund balance stands at \$6,206,910 at the end of FY18. In order to bring the Town's unassigned fund balance to 15% of FY20 budgeted expenditures, it would need to total \$6,978,028, or an increase of \$771,118. Given the projected surplus

of approximately \$1,020 million that leaves approximately \$249 thousand of excess surplus available for transfer.

Further, at this time of year, we typically transfer funds from the Police Department (“PD”) from the Outside Services Fund and the PD General Administrative Fund to the General Fund to reimburse the Town for the use of PD vehicles for outside services and the service fee generated on pistol permits. However, given the Town’s surplus situation as well as the Police Department budget coming in \$144 thousand under budget, it is recommended that these funds be transferred directly to the Capital non-recurring fund.

By way of background, the mechanism for this type of transaction is outlined in the Connecticut General Statutes, **Sec. 7-361. Procurement of the municipal reserve fund (“MRF”)**. This statute states, “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.”

A motion by Mr. Carver, seconded by Ms. Rzasa to approve the movement of \$249 thousand from the Town’s surplus for FY2019 and to place those funds in the Debt Stabilization Fund. Further to move the transfer of the surplus funds to Town meeting. Motion passed by Ms. Rzasa, Mr. Carver, Mr. Stevenson, Mr. O’Neill, Mr. O’Brien and Chairman LaMay.

Following further discussion:

A motion made by Ms. Rzasa, seconded by Mr. Carver to approve movement of \$72,083.64 from the PD general fund budget and place those funds into the capital non-recurring fund. Motion passed by Ms. Rzasa, Mr. Carver, Mr. Stevenson, Mr. O’Neill, Mr. O’Brien and Chairman LaMay.

Chairman LaMay thanked Ms. Palladino and Selectman Fortuna.

9. Finance Report

Ms. Palladino reported as follows:

Budget for Fiscal Year 2019

Budget Fiscal Year 2019

The general government budget for Fiscal Year (“FY”) 2019 presently stands at \$16,339,829, along with the Town’s Debt Service budget of \$3,455,429, total General Government Expense equate to \$19,995,258. The Board of Education

budget of \$25,809,822, and total appropriations in the amount of \$238,996 brings the Town-wide budget to \$45,844,076, including Fiscal Year 19 appropriations and the budget which was approved at the May 2018 budget referendum.

Budget Appropriations – Total appropriations equate to \$238,996

- During the May 2019 Board of Finance meeting an appropriation of \$200,000 was made to the capital outlay account and further transferred to the Sidewalk Construction Fund. This appropriation was approved at the May 21, 2019 Special Town Meeting.
- During the June 2019 Board of Finance meeting an appropriation in the amount of \$21,563 was made to the capital outlay account and further transferred to the Flood Plain Management fund to cover a negative balance. This appropriation was approved at the July 2, 2019 Special Town Meeting
- During the June 2019 Board of Finance meeting an appropriation in the amount of \$17,403 was made to the capital outlay account and further transferred to the Fuel Exchange fund to cover a negative balance. This appropriation was approved at the July 2, 2019 Special Town Meeting

Unassigned Surplus Fund Appropriations - During FY19 no appropriations against the unassigned surplus fund have been made.

Municipal Reserve Fund Appropriations - During FY19 the following appropriations against the municipal reserve fund (“MRF”) have been made.

- During the July 17, 2018 Board of Finance meeting, \$45,000 was appropriated from the capital non-recurring account for the purpose of building Pickle Ball Courts. Further, these funds will be moved to the Main Street Connection Park Fund (2842). This was approved at a Town meeting held on August 13, 2018.
- During the September 18, 2018 Board of Finance meeting (and as updated at the December 4th meeting), it was approved to use funds from the Public Works/Transfer Station reserve Fund (account 3353) for the purpose of purchasing two vehicles and a plow. The first vehicle at 2018 CAT Backhoe, the second vehicle a 2018 Ford F450 4x4 cab and chase with a flatbed dump and tool boxes, and a snow plow. The aggregate cost not to exceed \$186 thousand.
- During the December 4, 2018 Board of Finance meeting, \$20,000 was appropriated from the capital non-recurring account for the purpose of purchasing a time and attendance software system. Further these fund will be moved to a new fund called “Time and Attendance”. The appropriation was moved to Town meeting.

- During the March 19, 2019 Board of Finance meeting, \$126,000 was appropriated from the capital non-recurring account for repairs and reconstruction of the KHCAC pedestal and pillars. This appropriation was approved at a Town meeting held on March 26, 2019.
- During the May Board of Finance meeting, \$33,200 was appropriated from the capital non-recurring account for the purchase and installation of an HVAC unit for the Youth and Family building. This appropriation was approved at a Town meeting held on May 21, 2019.
- During the June Board of Finance meeting, it was decided to place \$56,639 of grant reimbursement funds for the purchase of police body cameras into the capital non-recurring account for future capital item purchases.

Budgeted Capital Outlays FY19

The Municipal Reserve Fund, which includes capital non-recurring, fire apparatus, public work/transfer station, and Board of Education sinking funds, totals \$1,644,138 as of June 30, 2019. During FY19, transfers in the amount of \$928,068 were made to various capital and reserve fund projects.

Municipal Reserve Fund	FY18	FY 2019 Transfers	Balance 6/30/2019
Capital Non- Recurring Budget 3350		\$227,390	\$437,359
Fire Apparatus -3351		163,068	637,268
Public Works – 3353		75,000	69,511
Board of Education – 3354			500,000
Catastrophic Illness – 7219		70,000	115,608
Post-employment Payout – 7220		40,000	162,998
Revaluation – 7222		50,000	1,128
Contingency – 7224		30,000	31,475
Roof Repair - 3020		25,000	16,888
P&R Flooring - 450330		16,610	\$0
Heat Pumps (library) 450128		16,000	\$0
Wayfinding Signage (2884)		10,000	\$7,644
EDC benches (2883)		5,000	\$1,712
Sidewalk reconstruction 3019	250,000	200,000	306,300
Fort Saybrook Decking (FY18) 450527	13,500		0
Pavilion Stone Work (FY18) 450528	5,000		0
Total	268,500	928,068	\$2,287,891

Capital Expenditures FY 2019 budgeted amount as noted below. To date, 98.4% has been utilized.

Department	Amount Budgeted/Transferred	Amount Used
Fire Department (4203)	\$60,318	\$60,318
Police Department (4201)	\$99,804	\$99,804
IT – Town (4143)	\$25,000	\$18,935
Highway & Streets (4303)	\$375,000	\$371,807
Land Use (415101)	\$ 7,000	\$7,000
Total	\$567,122	\$557,864

Authorized Transfers –

- During the July 2, 2019 Board of Finance meeting, it was voted to transfer \$40,000 from the PW Highway and Street fiscal year 2019 budget (account 57400) to a new fund entitled “ PW Water Installation” for the purpose of connecting PW and the transfer station to public water and installation of a fire hydrant. This was approved at a Town meeting held on July 16, 2019.
- During the July 2, 2019 Board of Finance meeting, it was voted to transfer \$138,000 from the PW Highway and Street fiscal year 2019 budget (account 57400) to the PW Paving Exchange, Fund 7400 (account 57400) for the purpose of carrying over paving funds. This was approved at a Town meeting held on July 16, 2019
- During the July 2, 2019 Board of Finance meeting, it was voted to transfer \$25,000 from the Acton Public Library budget (450100) fiscal year 2019 budget to a new fund entitled “KHCAC gutter repair” for the purpose of repairing gutters at the KHCAC. This was approved at a Town meeting held on July 16, 2019
- During the June 4, 2019 Board of Finance meeting, it was voted to transfer \$32,382 from the PD Field Service budget (420101) fiscal year 2019 budget to the Retiree Health Insurance budget (414200) for the purpose of covering a deficit in excess of \$25 thousand. This was approved at a Town meeting held on July 16, 2019

Fiscal Year 19 Budget Performance

Through June 30, 2019, twelve months or 100% of the general government budget equates to \$16,578,795. Actual expenditures of \$16,098,618 are \$480 thousand below budget expectations. There were no budget line items that exceed \$25 thousand.

10. BOARD OF EDUCATION REPORT

Ms. Perruccio and Ms. Pendleton reported on the 2018-2019 end of year budget summary, which was handed out to the Board of Finance.

There was a surplus of final expenditures of \$19,125.83. It was explained that this surplus came from salary turnover; benefit savings; special education funding received; and deferred end of year purchases.

The following capital projects were funded with the 2018-2019 budget as follows:

- Ceiling tile replacement;
- Field Maintenance;
- HVAC Repairs;
- Classroom/Library Furniture;
- Tree Pruning;
- Carpet Replacement;
- Electrical Repairs;
- Bathroom Sink/Counter Replacement;
- Hood/Ancil System in Culinary Room;
- Counters and Cabinet Replacement;
- Oil Tank Project;
- HS Parking lot/Sidewalk replacement

The following 2019-2020 projects were moved to 2018-2019 projects funding:

- HVAC Repairs;
- Classroom Furniture;
- Tree Pruning;
- Carpet Replacement;
- Electrical Repairs;
- Bathroom Sink/Counters/toilets;
- HS Parking lot/Sidewalk replacement

The board had some questions with regard to the report. Ms. Rzasa and Mr. Carver wanted to know the amount of IBNR reserves that are held in Old Saybrook dollars specifically. Where is the money held and where is it invested? Ms. Pendleton replied that she would get that information for them.

Chairman LaMay thanked Ms. Perruccio and Ms. Pendleton.

10. SELECTMAN REPORT

Selectman Fortuna noted the following:

- Old Post Road project;
- Sidewalks down Main Street; Rte.1 after Labor Day;
- Time and Attendance will go live soon;
- One pillar left to repair at The Kate;
- Selectman Fortuna appointed to MIRA (garbage crises) Board;
- Plum Bank Creek Bridge repair scheduled Fall 2020;
- Plum Bank Back River Bridge repair scheduled Fall 2021

11. COMMENTS FROM THE CHAIR

Chairman LaMay thanked the board.

12. PUBLIC COMMENT

None.

13. ADJOURNMENT

A motion to adjourn at 8:36 p.m. was made by Ms. Rzasa, seconded by Mr. O'Brien and was so voted by Mr. O'Brien, Ms. Rzasa, Mr. Carver, Mr. O'Neill, Chairman LaMay and Mr. Stevenson.

This meeting is recorded on the town's you tube website.

Submitted:

Gerri Lewis, Clerk