

TOWN OF OLD SAYBROOK
Board of Finance

302 Main Street • Old Saybrook, Connecticut 06475-1741

BOARD OF FINANCE REGULAR MEETING MINUTES

June 15, 2021 7:00 p.m.

This was a hybrid meeting

BOF Attendant Members

David LaMay, Chairman
Carol Rzasa, V. Chairwoman
Tom Stevenson
Barry O'Neill
Rick Swan
Paul Carver
Bruce Carlson

Absent Members

In Attendance

Carl Fortuna, First Selectman
Lee Ann Palladino, Finance Director; Treasurer
Gerri Lewis, Clerk

1. Chairman LaMay called the meeting to order at 7:00 p.m.
2. **Pledge of Allegiance:**

Chairman LaMay led the pledge.

3. **Roll Call:** All members present.
4. **Minutes**

A motion to approve the minutes of May 18, 2021 was made by Ms. Rzasa, seconded by Mr. O'Neill and so VOTED unanimously.

5. **Tax Collector Suspense Report**

Ms. Palladino reviewed the suspense report in the absence of the Tax Collector, Barry Maynard.

Chairman LaMay thanked Ms. Palladino.

6. **Consideration of approving a reimbursable grant for STEAP project**

Selectman Fortuna briefly discussed the memorandum recommending that the Board of Finance approve the Town entering into a reimbursable grant and the use of Town funds in the amount of \$128,205 for the purpose of placing restroom facilities at the Town parks.

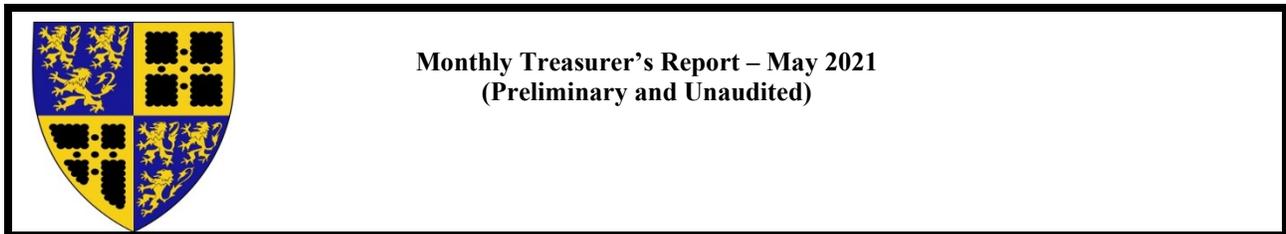
He noted by way of background, the Department of Energy and Environmental Protection (DEEP) has approved a grant in the amount of \$128,205 for the restroom facilities at Town Parks. This is a reimbursable grant, meaning that the Town will pay for this project upfront and then seek reimbursement from DEEP.

The Board of Finance also appropriated \$17,895 from the Town’s capital non-recurring account to supplement the STEAP grant noted above. This appropriation was approved by the legislative body on November 24, 2020.

After a brief discussion, the following motion was made:

A motion by Ms. Rzasa, seconded by Mr. O’Neill to appropriate funds in the amount of \$128,205 as outlined in the STEAP 2021-08 grant for the purpose of purchasing 2 prefabricated concrete restrooms, which will subsequently be reimbursed by DEEP, and further to move this recommendation to Town meeting for a vote. Discussion: the location was discussed. Selectman Fortuna noted that a site was already chosen. Motion passed unanimously.

7. Treasurer Report



Background Sec. 7-80. Duties of treasurer. (a) The town treasurer shall receive all money belonging to the town, pay it out on the order of the proper authority and keep a record of all moneys received and when received and of all moneys paid out, when, for what and upon whose authority, which record shall always be open to the inspection of any taxpayer in such town and shall be presented to each annual town meeting, being first sworn to by him and adjusted by the selectmen. The town treasurer shall be, ex officio, treasurer of the town trust funds and may appoint a deputy who shall, in the absence or disability of the town treasurer, perform all his duties.

Executive Summary as of May 31, 2021

REVENUES:	Budget	Received FYTD	% Received FY21	% Received FY20
Taxes	45,486,426	45,496,948	100.00%	99.1%
State of Connecticut	375,000	467,674	124.7%	127.3%
Local Revenues	1,159,000	1,233,349	106.4%	91.6%
Fund Balance Appropriation				
TOTALS:	47,020,426	47,197,971	100.7%	99.3%

EXPENDITURES:	Budget	Expended FYTD	% Expended FY21	% Expended FY20
General Government	17,101,708	14,217,922	83.1%	83.6%
Board of Education	26,706,023	22,925,624	85.8%	85.4%
Bonded Indebtedness	3,212,695	3,212,695	100.0%	100.0%
TOTALS:	47,020,426	40,356,241	85.8%	85.8%

Authorized Investments per Investment Policy:

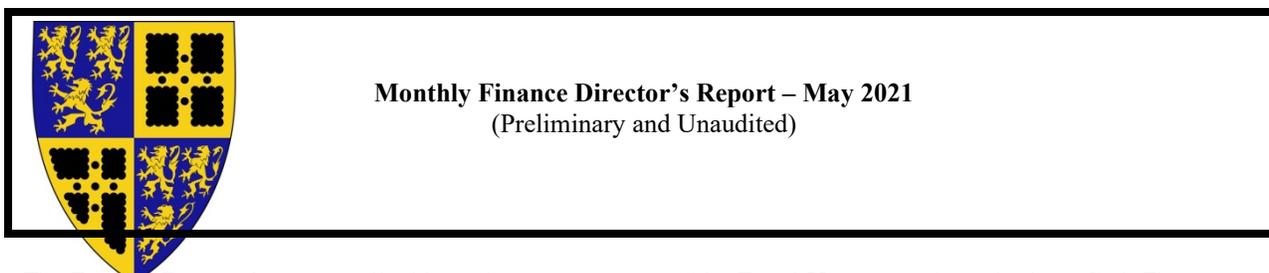
Authorized Investment	Balance	Rate as of 5/31/21
STIF	\$226,372	.04%
Liberty Bank	\$13,570,988	.20%

Webster Bank	\$9,645,343	.12%
Total	23,442,703	.18%

Pension Plans as of: May 31, 2021

Description	Town Pension Plan	Fire Department Pension Plan
Beginning Balance 6/30/20	22,948,076	1,422,712
Change in Value	954,560	372,762
Ending Balance	28,956,661	1,795,475
Return FYTD (net of fees)	27.53%	26.20%
Benchmark Return	24.03%	24.03%
Assumed Rate	7.00%	7.125%
Funded Ratio	84.5%	50.3%

8. Finance Director Report



The Finance Director's report will address the present status of the Fiscal Year expenditure budget, Cash Flow trends, and status of the Town's long-term strategies.

Section I: Expenditure Budget for Fiscal Year 2021

Budget Fiscal Year 2021

The general government budget for Fiscal Year ("FY") 2021 presently stands at \$17,101,708, along with the Town's Debt Service budget of \$3,212,695, total General Government Expense equate to \$20,314,403. The Board of Education budget of \$26,706,023 brings the Town-wide budget to \$47,020,426. The budget was approved at the March 31, 2020 Board of Finance meeting in compliance with Governor Lamont's Executive Orders 7c and 7i, which allowed the Board of Finance to vote on the budget and set the mill rate.

Budget Appropriations - During FY21 no budget appropriation have been made.

Municipal Reserve Fund Appropriations - During FY21 the following appropriations against the municipal reserve fund ("MRF") have been made.

- An appropriation for \$200,000 from the capital non-recurring account (CNR) was approved by the Board of Selectmen on August 25, 2020 pursuant to Governor Ned Lamont's Executive Order 7S. The funds were moved to an off-budget account "Town Pension Plan" to be used toward the Actuarial Determined Contribution for FY21.
- An appropriation for \$17,895 from the CNR was approved by the Board of Selectmen on November 24, 2020 pursuant to Governor Ned Lamont's Executive Order 7S. The funds were moved to an off-budget account "P&R Restroom Project" to supplement the Small Town Economic Assistance Program grant in the amount of \$128,205 for the purpose of placing two pre-fabricated bathrooms at Park and Recreation Locations.
- An appropriation for \$135 thousand from the CNR was approved by the Board of Selectmen on March 23, 2021 for the purpose of replacing and repairing the gutters at the KHCAC and to place these monies in an off-budget account entitled "KHCAC gutter replacement".

- An appropriation of \$37,292 was made from the Fire Department Apparatus fund for the purpose of replacing the jaws of life equipment at the Fire Department. Since purchases from this fund are pre-authorized no additional approvals were necessary.
- An appropriation of \$9,800 from the CNR was approved by the Board of Finance at its May 18, 2021 meeting for the purpose of modernizing the broadband high-speed connection between Town Hall and the YFS building and moved to Town meeting, which was approved on June 8, 2021.

Off Budget Fund Appropriations – During FY21 the following appropriations against off budget funds were made:

- An appropriation of \$38 thousand from the from the “Bokum Road Property Sale” Fund 2800 for the purpose of paving and landscaping the turnaround on Ingham Hill Road was approved at the December 15, 2020 Board of Finance meeting. Further this appropriation was approved by the Board of Selectman pursuant to Governor Ned Lamont’s Executive Order 7S, at its December 22, 2020 meeting.

Funding Mechanism – At the Board of Finance meeting held on May 18, 2021 it was voted to approve the allocation of the \$7 mini-golf tickets to have \$5 allocated to the general fund and \$2 allocated to the off budget P&R sinking fund account for the purpose of setting funds aside for Park & Recreation capital purchases.

Fiscal Year 21 Budget Performance

Through May 31, 2021, 91.6% of the general government budget equates to \$15,676,565. Actual expenditures of \$14,217,922 are \$1.5 million below the straight-lined budget. Capital transfers, quarterly payment, and other one-time annual payments were made near the start of the fiscal year. Attached is the detail list of budget line items.

Section II: Cash Flow Summary

As of May 31, 2021, the Town’s cash balance was as follows:

Fund	Total	Monthly Activity
General Fund	15,762,567	(3,021,198)
Capital Funds	1,999,659	(73,125)
Reserve Funds	3,330,373	(11,096)
Non-major Funds	2,036,446	(344,301)
Total	23,129,045	(3,449,720)

During the month of March, the Town’s total cash decreased by \$3.5 million of which \$3.0 million was due to activities in the General Fund. The GF received \$230 thousand in revenues which were offset by \$3.3 million in expenditure.

State of Emergency COVID 19 Fund 2843 had a negative balance of \$509,708. Total funds expended to date equal \$913,706. Total funds received to date equal \$403,999. During the month of June 2021 \$107,719 was expended and no reimbursements were received.

Section III. Long Term Strategies

1. Debt Service

Outstanding June 30, 2020:	\$27,990,000
Debt Service Payment FY21:	\$3,212,695
Debt Service Payment FY22:	\$3,209,845
Debt Service Reserve:	\$431,927

2. Capital Outlays FY21

The Municipal Reserve Fund, which includes capital non-recurring, fire apparatus, public work/transfer station, and Board of Education sinking funds, totals \$1,709,377 as of May 31, 2021.

Municipal Reserve Fund	FY 2021 Transfers	Balance
Capital Non- Recurring Budget 3350	\$184,425	\$462,245
Fire Apparatus -3351	170,000	129,817
Public Works – 3353	75,000	117,315
Board of Education – 3354		1,000,000
Catastrophic Illness – 7219	70,000	116,589
Post-employment Payout – 7220	40,000	113,079
Revaluation – 7222	50,000	90,781
Contingency – 7224	30,000	38,767
Roof Repair - 3020	25,000	42,350
P&R Sinking Fund – 3053 450335	10,000	0
Stonework EDC 3028 417326	4,000	4,000
Signage (P&R and DPW) – 3029 450334	29,000	4,511
P&R Mini Golf Carpets – 3030 450331	6,800	0
P&R Pavilion Carpet - 3031 450333	9,025	669
Gutter Guards (Library) – 3032 450130	5,600	0
NEA Grant Live in Old Saybrook – 2915 417327	10,000	10,000
Total	718,850	2,130,123

Capital Expenditures FY 2021 budgeted amount as noted below. To date, 79% has been utilized.

Department	Amount Budgeted/Transferred	Amount Used
Fire Department (4203)	60,000	\$59,962
Police Department (4201)	99,804	\$97,067
IT – Town (4143)	25,000	\$11,855
Highway & Streets (4303)	390,000	\$282,792
Library Heat Pumps (4501)	15,000	\$14,071
Total	\$589,804	\$465,747

3. Pension Plan

Description	Town Pension Plan	Fire Department Pension Plan
Actuarial Defined Contribution (ADC) FY21:	\$789,169	\$169,368
Paid to date by the Town & BoE	\$720,000 (~\$750k projected)	\$183,957
ADC FY22	\$813,814	\$171,642
ADC budget amount	\$468k (town) \$150 (BoE) = \$618k	\$180,000

4. Fund Balance Performance vs. Policy

- Unassigned General Fund Target Balance: 15% of approved GF annual expenditures
- Range of 12% to 15%: Deemed healthy – no action required.
- Less than 12%: Board of Finance shall be notified.
- Less than 5%: First Selectman develops plan to rebuild fund balance.

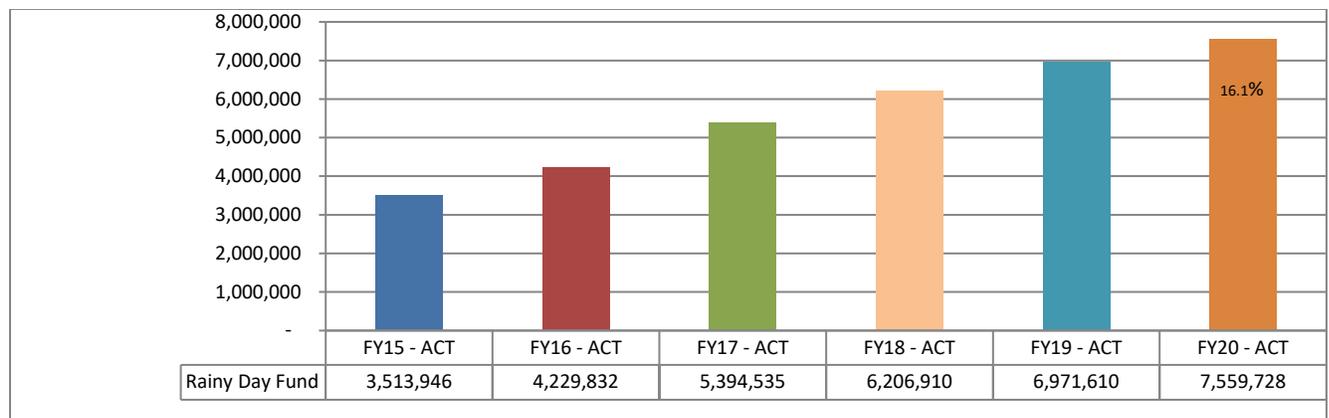
In the event that a fiscal year ends with surplus funds projected to be in excess of the 15% policy target, the Board of Selectmen shall make a recommendation to the Board of Finance for use of excess funds. As of June 30, 2020, the GF unassigned balance was 16.1% of FY21 budgetary expenditures.

Town of Old Saybrook Fund Balances for the Period Ending June 30, 2020

Fund	Non-spendable	Restricted	Committed	Unassigned	Total
General Fund	0	143,100	421,027	7,559,728	8,123,855
Capital Funds			1,356,467		1,356,467
Reserve Funds			3,929,247		3,929,247
Non-major Funds	5,000	224,974	1,427,861	(255,402)	1,402,433
Total	5,000	368,074	7,134,602	7,304,326	14,812,002

** Restricted (\$143,100 performance bonds GF) (\$224,974 restricted by grant program)

General Fund Balance Trend: Fiscal Years 2015 - 2020



At this time Ms. Palladino briefly discussed the memo she sent to the board with regard to planning for fiscal year '21 surplus.

She noted the following excerpt from the Fund Balance Policy that addresses year end surpluses.

“It is the goal of the Town to build an unassigned fund balance in the GF at each fiscal year end of 15% of approved GF annual expenditures. Fund balances that fall within the range of 12% to 15% are deemed to be healthy and no action or reporting is required. Should the unassigned GF fund balance fall below 12% 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.

In the event that a fiscal year ends with surplus funds projected to be in excess of the 15% policy target, the Board of Selectmen shall make a recommendation to the Board of Finance which may include one or more of the following options:

- a) Transfer excess funds to a capital reserve account;
- b) Transfer excess funds to a specific capital project;

- c) Transfer excess funds to reduce a Town liability or debt;
- d) Transfer excess funds to a debt stabilization account; or
- e) Other recommendation as may be appropriate.”

With this policy as guidance, it is recommended that the Boards of Selectman and Finance consider the following uses of surplus in the following order:

1. Ensure enough surplus funds are available to maintain the Town’s budget reserve fund at our above 15%.
2. The Town has budgeted \$618 thousand for Defined Benefit actuarial determined contribution (“ADC”) in FY22 (\$468 thousand for the Town employees and \$150 thousand for the BoE employees). The ADC for FY22 is \$814 thousand. Therefore, it is recommended to transfer \$200 thousand to the municipal reserve fund (“MRF”) and further to transfer these funds to the Town pension plan next fiscal year in order to meet the full ADC for FY22.
3. The Department of Public Works will not be able to complete its road work prior to the end of June 30, 2021. At present there is \$149,988 in the paving and road maintenance line items of the Public Works’ budget. Therefore, as these funds will drop to the bottom line as surplus, it is recommended that these funds be transferred to an off-budget fund entitled “DPW paving and road maintenance” in order to continue the Town’s road maintenance program.
4. Over the course of the last three fiscal years, the BoF has appropriated surplus funds for the purpose of constructing sidewalks and other sidewalk improvements. It is recommended that an appropriation of \$150 thousand be considered to maintain our program of improving sidewalks. The timely completion of the sidewalk project will not only lead to safe walkways but also continue to complement the work that has been completed to date.

In conclusion, these proposed uses of surplus would represent about \$500 thousand for the GG.

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.”

As we approach August, the Town’s surplus balance will become clear, at that time, we will reissue this memorandum with specific requested amounts for the FY21 Town surplus.

Mr. LaMay thanked Ms. Palladino.

9. **Selectman Report:**

Selectman Fortuna reported on the following:

- Sidewalks
- Connectivity Grant
- Tax bills; doing lock boxes this year

- Updated bottle bill
- State Budget; OS will get more money this year-possibly \$550K
- Marijuana bill
- Residential Transfer Station

Chairman LaMay thanked Selectman Fortuna.

10. Public Comment: None

11. Comments from the Chair

Chairman LaMay thanked everyone for attending the meeting.

12. Adjournment:

A motion to adjourn was made by Mr. O’Nell, seconded by Mr. Carlson at 8:02 p.m.

Submitted:

Gerri Lewis, Clerk