



TOWN OF OLD SAYBROOK
Board of Finance

302 Main Street • Old Saybrook, Connecticut 06475-1741

BOARD OF FINANCE REGULAR MEETING MINUTES

August 3, 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
Bruce Carlson

Absent Members

Paul Carver

In Attendance

Carl Fortuna, First Selectman
Lee Ann Palladino, Finance Director; Treasurer
Suzie Beckman, Director, Economic Development
Amanda Brower, Director, Acton Library
Gerri Lewis, Clerk

1. Vice Chair Ms. Rzasa called the meeting to order at 7:00 p.m.

2. **Pledge of Allegiance:**

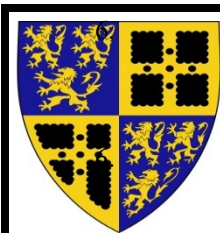
Vice Chair Ms. Rzasa led the pledge.

3. **Roll Call:** Mr. Carver absent.

4. **Minutes**

A motion to approve the minutes of June 15, 2021 was made by Mr. Carlson, seconded by Mr. Swan and so VOTED unanimously.

5. **Treasurer Report**



5. Monthly Treasurer's Report – July 2021

(Preliminary and Unaudited)

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 June 30, 2021

REVENUES:	Budget	Received FYTD	% Received FY21	% Received FY20
Taxes	45,653,717	22,357,937	49.0%	47.9%
State of Connecticut	463,000	0	0%	0%
Local Revenues	1,071,000	121,488	11.3%	12.1%
TOTALS:	47,187,717	22,479,425	47.6%	46.6%

EXPENDITURES:	Budget	Expended FYTD	% Expended FY21	% Expended FY20
General Government	17,206,508	2,381,952	13.8%	13.8%
Board of Education	26,771,365	559,226	17.4%	18.5%
Bonded Indebtedness	3,209,844	2,184,244	8.2%	9.1%
TOTALS:	47,187,717	5,125,422	10.9%	11.4%

Authorized Investments per Investment Policy:

Authorized Investment	Balance	Rate as of 7/31/21
STIF	\$226,380	.00%
Liberty Bank	\$13,402,694	.15%
Webster Bank	\$24,361,168	.02%
Total	37,990,242	.07%

Pension Plans as of: July 31, 2021

Description	Town Pension Plan	Fire Department Pension Plan
Beginning Balance 6/30/21	22,974,597	1,801,010
Change in Value	-66,387	-3,670
Ending Balance	28,847,667	1,799,760
Return FYTD (net of fees)	-.09%	-.07%
Benchmark Return	.31%	.31%
Assumed Rate	7.00%	7.125%
Funded Ratio	84.5%	50.3%

Ms. Rzasa thanked Ms. Palladino.

6. USDA Rural Business Development Reimbursable Grant

By way of background, Selectman Fortuna reported the Town applied for and received a grant in the amount of \$25,000 from the United States Department of Agriculture (USDA) Rural Development for the purpose of increasing rural business development. The funds will be used to hire an architectural firm to conduct an architectural feasibility study that will result in concept plans for redesigning the library space to accommodate makerspace at the Acton Public Library (APL). The Town's match is 40% of the project or \$17,000.

Ms. Beckman and Ms. Brower reported the Town will contribute in-kind services provided by the Directors of Economic Development and the Library. Their role in this planning effort will be to create a Scope of Work, an

RFP, manage internal controls, track project finances and other project requirements. The project will enable the APL to expand their services by creating a resource that serves residents as well as the development and growth of small businesses.

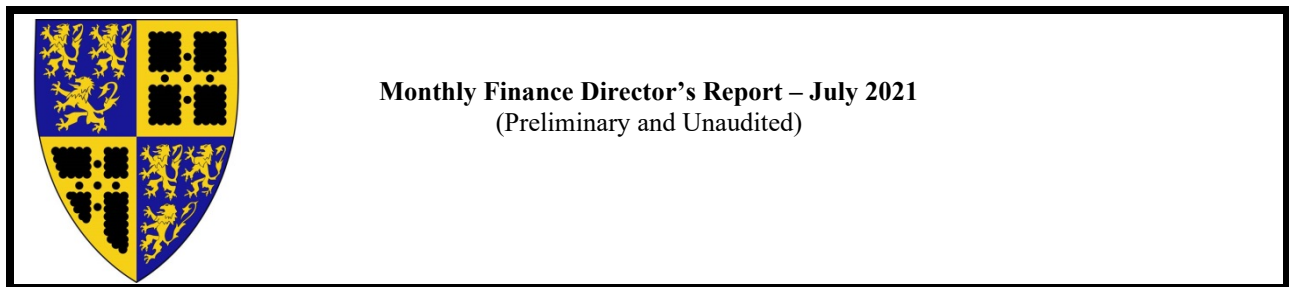
The APL is creating a strategic plan for the library's future and the addition of a makerspace is one of its considerations. These funds will be useful for assessing the feasibility of this strategic endeavor. Should APL decide to move forward with this initiative, the APL has private trust funds available for construction costs and equipment.

A motion was made by Ms. Rzasa, seconded by Mr. Carlson to approve the Town of Old Saybrook entering into a reimbursable grant with the USDA rural development in the amount of \$25,000 which will be reimbursed upon the completion of the project. The Town will fund its portion of the 40% match or \$17,000 through the use of in-kind services. Further to move this appropriation to Town meeting. Discussion: Mr. Stevenson asked and the board agreed that progress reports be made to the Board of Finance. Motion passed unanimously.

Ms. Rzasa thanked Ms. Beckman and Ms. Brower.

7. Finance Director Report

Ms. Palladino noted to the board that Julie in Accounting left and an Assistant Finance Director was hired.



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 2022

Budget Fiscal Year 2021

The general government budget for Fiscal Year ("FY") 2022 presently stands at \$17,206,508, along with the Town's Debt Service budget of \$3,209,844, total General Government Expense equate to \$20,416,352. The Board of Education budget of \$26,771,365 brings the Town-wide budget to \$47,187,717. The budget was approved at the May 11, 2021 referendum.

Budget Appropriations - During FY22 no budget appropriation have been made.

Municipal Reserve Fund Appropriations - During FY22 no appropriations against the municipal reserve fund ("MRF") have been made.

Fiscal Year 22 Budget Performance

Through July 31, 2021, 8.3% of the general government budget equates to \$1,433,302. Actual expenditures of \$2,381,952 are \$1 million above 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 July 31, 2021, the Town's cash balance was as follows:

Fund	Total	Monthly Activity
General Fund	28,208,303	12,521,937
Capital Funds	1,898,557	(133,361)
Reserve Funds	3,713,985	447,290
Non-major Funds	3,647,608	139,465
Total	37,468,453	12,975,331

During the month of July, the Town's total cash increased by \$13 million of which \$12.5 million was due to activities in the General Fund. The GF received \$22.4 million in revenues which were offset by \$5.1 million in expenditure.

State of Emergency COVID 19 Fund 2843 had a negative balance of \$596,441. Total funds expended to date equal \$1,000,440. Total funds received to date equal \$403,999. During the month of July 2021, no money was expended.

Section III. Long Term Strategies

1. Debt Service

Outstanding June 30, 2021: \$25,515,000
Debt Service Payment FY22: \$3,209,845
Debt Service Reserve: \$431,927

2. Capital Outlays FY22

The Municipal Reserve Fund, which includes capital non-recurring, fire apparatus, public work/transfer station, and Board of Education sinking funds, totals \$2,072,477 as of July 31, 2021.

Municipal Reserve Fund	FY 2022 Transfers	Balance
Capital Non- Recurring Budget 3350	\$183,643	\$580,345
Fire Apparatus -3351	170,000	299,817
Public Works – 3353	75,000	192,315
Board of Education – 3354	0	1,000,000
Catastrophic Illness – 7219	70,000	151,589
Post-employment Payout – 7220	40,000	153,079
Revaluation – 7222	50,000	140,781
Contingency – 7224	30,000	68,767
Roof Repair - 3020	25,000	67,350
P&R Sinking Fund – 3053 450335	10,000	9,487
Signage (P&R and DPW) – 3029 450334	7,415	11,926
P&R Mini Golf Carpets – 3055	8,307	8,362
DPW Garage Boiler – 3034	26,500	26,500
DPW Commercial Lawn Mower - 490000	15,473	473
Library back door – 3051	23,000	23,000
Playground pieces – 3057	6,462	0

Municipal Reserve Fund	FY 2022 Transfers	Balance
YFS Fire Panel - 490000	4,200	4,200
Total	745,000	2,737,991

Capital Expenditures FY 2022 budgeted amount as noted below. To date, 0% has been utilized.

Department	Amount Budgeted/Transferred	Amount Used
Fire Department (4203)	60,000	\$0
Police Department (4201)	99,804	\$0
IT – Town (4143)	13,500	\$0
Highway & Streets (4303)	400,000	\$0
Library Heat Pumps (4501)	15,000	\$0
Total	588,304	\$0.00

3. Pension Plan

Description	Town Pension Plan	Fire Department Pension Plan
Actuarial Defined Contribution (ADC) FY22:	\$813,814	\$171,642
Paid to date by the Town & BoE	\$29,377	\$0
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.

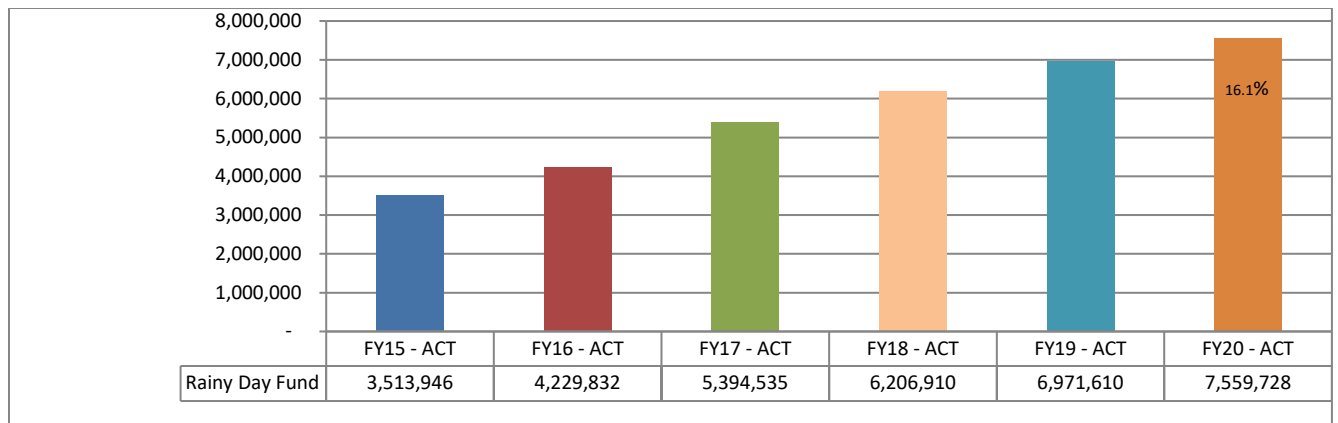
In the event that a fiscal year ends with surplus funds projected to be in excess of the 15% policy target, the Board of Selectmen shall make a recommendation to the Board of Finance for use of excess funds. As of June 30, 2020, the GF unassigned balance was 16.1% of FY21 budgetary expenditures.

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 discussed the memo she sent to the board with regard to planning for fiscal year '21 surplus and requested their consideration of the following uses of surplus for FY21.

Discussion

The Town's unassigned fund balance stands at \$7,559,728, or 16.1% of the total General Fund budgetary expenditures at the end of FY20. The Town's fund balance policy targets a rate of 15% or higher. With the FY22 budgeted expenditures of \$47,187,717, the unassigned fund balance would need to total approximately \$7,078,157, which we have exceeded at this point. The estimate for the surplus is approximately \$1.47 million and includes both the Town and the Board of Education. The addition of this surplus would increase the budget surplus fund to approximately \$9,029,728, or 19.1% of FY22 budget.

The following is an 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 \$250 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. It is recommended to transfer \$150,000 to an off-budget account for use during FY22. 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 \$200 thousand be considered to maintain our program of improving sidewalks.

In conclusion, these proposed uses of surplus would represent about a \$600 thousand reduction in FY21 surplus. This would reduce the projected budget reserve fund to approximately \$8.4 million and represent about 17.9% of the FY22 budgeted expenditures.

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.”

Following this presentation, the following motions were made:

Ms. Rzasz made a motion, seconded by Mr. Carlson to appropriate \$250 thousand from the Town’s FY21 surplus 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 and to place said funds in the Town Pension Plan Fund 8100 to be used for the purpose of augmenting the FY22 ADC budget. Further to move the transfer of the surplus funds to Town meeting. Motion was so VOTED unanimously

Ms. Rzasz made a motion, seconded by Mr. Swan to appropriate the movement of \$150 thousand from the Town’s surplus for FY2021 and to transfer those funds into an off-budget account called “DPW paving and road maintenance”. Further to move the transfer of the surplus funds to Town meeting. Motion was so VOTED unanimously.

Ms Rzasz made a motion, seconded by Mr. Carlson to appropriate the \$200 thousand from the Town’s surplus for FY2021 and transfer said funds to an off budget Fund called “sidewalk construction”. Further to move the transfer of the surplus funds to Town meeting. Motion was so VOTED unanimously.

Ms. Rzasz thanked Selectman Fortuna and Ms. Palladino.

8. Capital Improvement Items/Funds

Mr. Swan suggested that the capital improvement projects that are budgeted in the BOE budget be moved to the Town Budget. The school buildings are Town property and therefore should be maintained by the town. Discussion should be had regarding moving these projects.

Mr. LaMay noted that he would invite Chief Spera and Superintendent Peruccio and Ms. Pendleton to the September meeting to answer questions from the board of finance.

9. Selectman Report:

Selectman Fortuna reported on the following:

- Bonding for roads
- American Rescue Plan
- Denali Building; Grano Orso will be going in as a market/restaurant
- Red Hen will be a Japanese Restaurant
- Extended Hours for Splash Pad

Vice Chair Ms. Rzasa thanked Selectman Fortuna.

10. Public Comment: None

11. Comments from the Chair

Vice Chair Ms. Rzasa thanked everyone and had no further comments. Mr. LaMay noted that Chief Johnson invited the board to visit the fire station to see the new fire trucks before the September meeting.

12. Adjournment:

A motion to adjourn was made by Mr. O'Neill, seconded by Mr. Swan at 9:01 p.m.

Submitted:

Gerri Lewis, Clerk