



TOWN OF OLD SAYBROOK
Board of Finance

302 Main Street • Old Saybrook, Connecticut 06475-1741

BOARD OF FINANCE REGULAR MEETING MINUTES AMENDED

August 16, 2022 6:30 p.m.

This was a hybrid meeting

BOF Attendant Members

Paul Carver, Chairman
Brad Thorpe, V. Chairman
Tom Stevenson
Rick Swan
Eric Dussault
Bruce Carlson
John O'Brien

Absent Members

In Attendance

Carl Fortuna, First Selectman
Matt Pugliese, Selectman
Lee Ann Palladino, Finance Director
Barbara Labriola, Treasurer
Jan Perruccio, Superintendent of Schools
Julie Pendleton, Director of Finance and Operations
Ray Allen, Director, Parks & Recreation
Gerri Lewis, Clerk

1. Mr. Carver called the meeting to order at 6:30 p.m.

2. Pledge of Allegiance:

Mr. Carver led the pledge.

3. Roll Call: All present

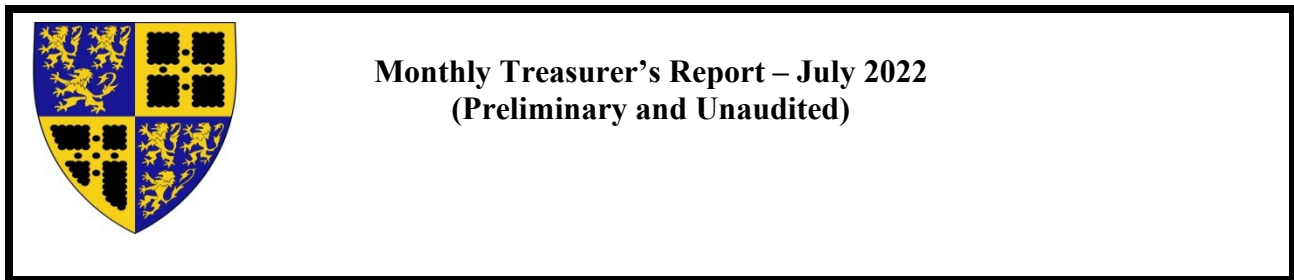
4. Minutes

A motion by Mr. Carlson was seconded by Mr. Swan to approve the minutes of 7/19/2022.
Motion passed unanimously.

5. Public Comment None

6. Treasurer Report

Ms. Labriola gave the Treasurer Report as follows:



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 July 31, 2022

REVENUES:	Budget	Received FYTD	% Received FY23	% Received FY22
Taxes	45,653,717	22,532,304	48.1%	51.1%
State of Connecticut	463,000	0	0%	0%
Local Revenues	1,071,000	85,142	12.6%	14.1%
TOTALS:	47,187,717	22,617,446	46.8%	49.7%

Authorized Investments per Investment Policy:

Authorized Investment	Balance	Rate as of 7/31/22
STIF	\$6,748,942	1.64%
Liberty Bank	\$100,114	.05%
Webster Bank	\$10,565,113	1.05%
Short Term Cash Management	\$8,000,000	.93%
ARPA Cash Management	\$1,200,000	.78%
Total	26,596,859	1.15%

Pension Plans as of: July 31, 2022

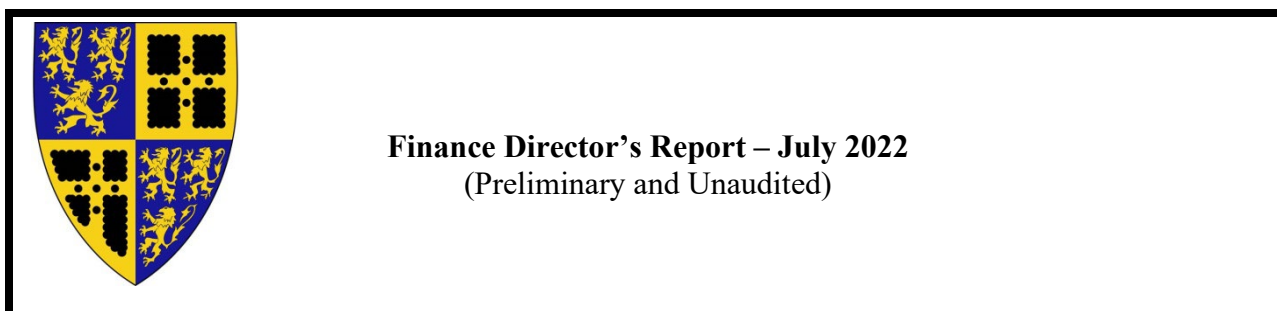
Description	Town Pension Plan	Fire Department Pension Plan
Beginning Balance 6/30/22	24,026,515	1,558,038
Change in Value	1,231,141	72,070

Ending Balance	25,300,035	1,632,440
Return FYTD (net of fees)	5.30%	4.78%
Benchmark Return	5.34%	5.34%
Assumed Rate	6.75%	6.50%
Funded Ratio	85%	52.7%

Mr. Carver thanked Ms. Labriola. Mr. Stevenson had a question on the Benchmark Return. Ms. Labriola will check that number and email the board of finance tomorrow.

7. Finance Director Report

Ms. Palladino gave her Finance report as follows:



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

Section I: Expenditure Budget for Fiscal Year 2023

EXPENDITURES:	Budget	Expended FYTD	% Expended FY23	% Expended FY22
General Government	17,832,513	2,863,460	16.1%	13.0%
Board of Education	27,473,341	2,167,533	15.3%	17.4%
Bonded Indebtedness	3,071,844	469,025	7.9%	8.2%
TOTALS:	48,377,698	5,500,018	11.4%	10.6%

Budget Fiscal Year 2023

The general government budget for Fiscal Year ("FY") 2023 presently stands at \$17,832,513, along with the Town's Debt Service budget of \$3,071,844, total General Government Expense equate to \$20,904,357. The Board of Education budget of \$27,473,341 brings the Town-wide budget to \$48,377,698. The budget was approved at the May 10, 2022 referendum.

Budget Appropriations –

Budget Transfers –

Capital Non-Recurring Appropriations -

Fiscal Year 23 Budget Performance

Through July 2022, 8.3% of the general government budget equates to \$1,480,099. Actual expenditures of \$2,863,459 are \$1.383 million above 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, 2022, the Town's cash balance was as follows:

Fund	Total	Monthly Activity
General Fund	20,573,492	
Capital Funds	2,192,064	
Reserve Funds	3,831,878	
Non-major Funds	3,717,638	
Total	30,315,072	0

Section III. Long Term Strategies

1. Debt Service

Outstanding June 30, 2022: \$22,940,000

Debt Service Payment FY23: \$3,071,844

Debt Service Reserve: \$312,821

2. Capital Outlays FY23

The Municipal Reserve Fund, which includes capital non-recurring, fire apparatus, public work/transfer station, and Board of Education sinking funds, totals \$2,241,685 as of July 30, 2022

Municipal Reserve Fund	FY 2023 Transfers	Balance
Capital Non- Recurring Budget 3350	\$135,729	868,078
Fire Apparatus -3351	170,000	178,978
Public Works – 3353	75,000	194,629
Board of Education – 3354	0	1,000,000
Catastrophic Illness – 7219	70,000	186,589
Post-employment Payout – 7220	40,000	109,091
Revaluation – 7222	50,000	190,481

Municipal Reserve Fund	FY 2023 Transfers	Balance
Contingency – 7224	30,000	73,103
Roof Repair – 3020	25,000	38,255
DPW Sand Shed – 3059	6,050	6,050
DPW Dumpster for Metal	12,400	12,400
DPW Asphalt Roller	18,000	18,000
P&R Flagpole – 3060	3,299	3,299
P&R Water Fountain	3,364	3,364
P&R Mulch Trask Playground	3,630	3,630
P&R Netting	7,528	7,528
Gazebo Town Hall Green – 3000	60,000	60,000
Paving Budget	25,000	0
Total	735,000	2,953,475

Capital Expenditures FY 2023 budgeted amount as noted below.

Department	Amount Budgeted/Transferred	Amount Used
Fire Department (4203)	60,000	\$49,407
Police Department (4201)	99,804	0
IT – Town (4143)	13,500	0
Highway & Streets (4303)	475,000	0
Library Heat Pumps (4501)	16,660	0
Total	664,964	49,407

3. Pension Plan

Description	Town Pension Plan	Fire Department Pension Plan
Actuarial Defined Contribution (ADC) FY22:	\$789,000	\$175,829
Paid to date by the Town & BoE	\$838,000	
ADC budget amount	\$664k (town) \$125 (BoE) = \$789k	\$180,000

After a Q & A, Mr. Carver thanked Ms. Palladino.

8. Discussion and Possible Action of Transfer of Debt Service to Pension Reserve Fund

Mr. Carlson suggested that this should read ... “Transfer of Debt Service Reserve Fund...”

Selectman Fortuna discussed this requested action as follows:

He noted that the Board of Selectmen recommend that the Board of Finance approve a transfer of \$321,821 from the Debt Service Reserve Fund to the newly created Pension Reserve Fund.

He explained by way of background, the Town created the Debt Service Reserve Fund in Fiscal Year (“FY”) 19 which was ultimately funded through two transfers of FY end surplus transfers in the amounts of \$249 thousand in FY19 and \$200 thousand in FY20. Over the course of the next 3 fiscal years, a total of \$140 thousand of the debt service reserve was used to augment debt service and help to mitigate budget spikes.

He went on to say that during FY20, the town refinanced a significant portion of its debt service to take advantage of very low interest rates, reduce the cost of overall debt service, and manage debt spikes. As a result, debt service has remained stable from FY19 to present by design. Use of the debt service reserves up to this point helped to manage budget fluctuations. However, going forward debt service is projected to decline: \$61 thousand in FY24, \$678 thousand in FY25, \$48 thousand in FY26 and \$257 thousand in FY27, for a total decline of \$1,044,000. This will lead to a yearly debt service amount of \$2,35,000 in FY27 down from the current level of \$3,399,963. Therefore, a debt service reserve is not needed given the future reductions in debt service.

In terms of the recommendation to add the funds to the Pension Reserve Fund, the town has recently made the funding commitment to fully fund the Town’s Actuarial Determined Contribution (“ADC”). Given the reduction of eligible employees their contributions will be reduced, negative returns in the capital markets, and further conservative changes in the actuarial assumptions, will potentially lead to increases in the employer ADC in future years. The pension reserve will be used to help support budget fluctuations over time.

A motion to approve a transfer of \$321,821 from the Debt Service Reserve Fund to the newly created Pension Reserve Fund, and further to move this transfer to Town meeting was made by Mr. Swan, seconded by Mr. Thorpe and was so VOTED unanimously..

9. Discussion and Possible Action for FY22 Year-end surplus transfers

Ms. Palladino discussed this request to the board for their consideration of the following uses of surplus, which is presently estimated at \$1,661,649, for FY22.

Ms. Palladino noted as follows:

The Town’s unassigned fund balance stands at \$8,038,980, or 17% of the total General Fund budgetary expenditures at the end of FY21. The Town’s fund balance policy targets a rate of 15% or higher, and it presently stands at 17%. With the FY23 budgeted expenditures of \$48,377,698, the unassigned fund balance would need to total approximately \$8,224,208, an increase of \$185 thousand, to remain at the 17% level.

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:

1. Ensure enough surplus funds, approximately \$185 thousand, are available to maintain the Town’s budget reserve fund at 17%.
2. To set aside \$125 thousand for a specific paving project on Main Street and transfer the funds to a newly created account entitled “Main Street Paving Project”.
3. To set aside \$100 thousand for the Town’s share of grant related expenses for FY23 and transfer the funds to a newly created off-budget account called “Grant Related Projects”.
4. Over the course of the last several 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 \$250 thousand be considered to maintain our program of improving sidewalks. The funds will be transferred to the existing sidewalk fund 3019.
5. The town of Old Saybrook is home to invasive species, which are non-native plants that reproduce rapidly and have a negative effect on native plants and animals. It is recommended to appropriate \$50 thousand for the purpose of combating invasive species in Old Saybrook and reclaiming land for a more positive use. These funds would be

transferred to fund 2908 “Vegetation Management”. Ms. Kathy Connolly presented a Power Point presentation with regard to “Vegetation Management” for the board.

6. To set aside funds for a variety of Park and Recreation capital projects in the amount of \$139,265 and transfer the funds to the Park and Rec sinking fund 3053 as follows:

a. Public Wi-fi access for parks and beaches	\$40,000
b. Technology upgrades to Vicki Duffy pavilion	\$10,000
c. Resurfacing of the splashpad	\$59,080
d. Upgrades to Harvey’s Beach bathhouse	\$12,797
e. Upgrades to Town Beach bathrooms	\$ 7,912
f. Fencing upgrade at mini-golf	<u>\$ 9,476</u>

Total: \$139,265

7. To set aside \$200,000 for a Department of Public Works (“DPW”) sweeper and transfer the funds to the DPW Equipment Capital fund 3353.
8. To consider the appropriation of \$245,560 to the Board of Education (“BoE”) capital reserve account per the BoE request, sent under separate cover.
9. It is recommended that the balance of surplus fund, \$366,824 be transferred to the capital non-recurring fund 3350.

In conclusion, these proposed uses of surplus would represent about a \$1,049,265 for the Town and \$245,560 for the BoE for a total reduction in FY22 surplus of \$1,294,825. The balance of \$366,824 is recommended to be transferred to the capital non-recurring account which would bring total uses of surplus to \$1,661,649. This would maintain the projected budget reserve fund at 17.0% of the FY23 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.”

Mr. Carver noted that if the board had no further questions, he would entertain motions one at a time:

Motions:

- i. Mr. Swan made a motion to appropriate the \$125 thousand from the Town's surplus for FY2022 and transfer said funds to an off-budget Fund called "Main Street Paving" for the purpose of repaving parking areas on Main Street. Further to move the transfer of the surplus funds to Town meeting, seconded by Mr. O'Brien and was so VOTED unanimously
- ii. Mr. Swan made a motion to appropriate \$100 thousand from the Town's surplus for FY2022 for the Town's share of grant related expenses for FY23 and transfer the funds to a newly created off-budget account called "Grant Related Projects". Further to move the transfer of the surplus funds to Town meeting, seconded by Mr. Stevenson and was so VOTED unanimously.
- iii. Mr. Swan made a motion to appropriate the \$250 thousand from the Town's surplus for FY2022 and transfer said funds to an off-budget Fund called "sidewalk construction". Further to move the transfer of the surplus funds to Town meeting, seconded by Mr. Carlson and was so VOTED unanimously.
- iv. Mr. Swan made a motion to appropriate the \$50 thousand from the Town's surplus for FY2022 and transfer said funds to an off-budget Fund called "Vegetation Management" for the purpose of combating invasive plants in Old Saybrook. Further to move the transfer of the surplus funds to Town meeting, seconded by Mr. Carlson and was so VOTED unanimously. Selectman Fortuna noted that he would report back to the board on a project.
- v. Mr. Swan made a motion to appropriate \$139,265 from the Town's surplus for FY2022 for the purpose of providing capital to update various town parks and beaches and to transfer said funds to the "Park and Rec Sinking Fund". Further to move the transfer of surplus funds to Town meeting, seconded by Mr. Carlson and was so VOTED unanimously. Director Allen of Parks and Recreation discussed briefly the variety of Parks and Recreation capital projects.
- vi. Mr. Swan made a motion to appropriate \$200,000 from the Town's surplus for FY2022 for a Department of Public Works ("DPW") sweeper and transfer the funds to the DPW Equipment Capital fund 3353. Further to move the transfer of surplus funds to Town meeting, seconded by Mr. Stevenson and was so VOTED unanimously.

- vii. Mr. Swan made a motion to appropriate \$245,560 from the Town's surplus for FY2022 to the Board of Education and transfer the funds to a newly created account entitled "Air Quality/HVAC Improvements". Further to move the transfer of surplus funds to Town meeting, seconded by Mr. Thorpe and was so VOTED unanimously. Ms. Pendleton noted that Goodwin School would be first for the air conditioning and that she was currently working on a grant.
- viii. Mr. Swan made a motion to appropriate \$366,824 from the Town's surplus for FY2022 to the capital non-recurring fund 3350, further to move the transfer of surplus funds to Town meeting, seconded by Mr. Stevenson was so VOTED unanimously.

During discussion Mr. Carlson made a motion to allocate \$50,000 to the Police Commission for its use in obtaining consultants. It was agreed that the appropriate process was for the Police Commission to issue an RFP and request funding based on the successful response to the RFP. Funding for that purpose could come from the Capital Non-Recurring Account. Based on this discussion, Mr. Carlson withdrew his motion.

10. Selectman Report

Selectman Fortuna thanked the board for the year end transfers and noted that the HS lights would be lit for the first game of the girl's field hockey.

11. Liaison Reports None

12. Comments from Board Members None

13. Public Comment None

14. Comments from the Chair

Mr. Carver thanked everyone for attending.

15. Adjournment

A motion to adjourn was made by Mr. Swan, seconded by Mr. Thorpe was so VOTED at 8:42 p.m.

A video of this meeting in its entirety can be seen online in the Town of Old Saybrook Video Library and the Town Clerk's Office.

Respectfully submitted:

Gerri Lewis, Clerk