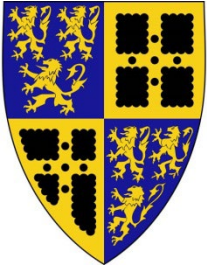


TOWN OF OLD SAYBROOK
SELECTMEN'S OFFICE



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To: Board of Finance Members
From: Carl P. Fortuna, Jr., First Selectman
Re: Fiscal Year 22 Surplus Recommendations
Date: August 9, 2022

The purpose of this memorandum is to request your consideration of the following uses of surplus, which is presently estimated at \$1,661,649, for FY22.

Discussion

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”.

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.”

Should you decide to move forward with this recommendation, the motions requested are as follows:

Motions Requested:

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.

6. 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.

7. 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.

8. 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.