Town of Seymour ~ Board of Finance
MINUTES
Budget Deliberations
Monday, March 2, 2020 at 7:00pm
Norma Drummer Room, Seymour Town Hall

Members Present: Bettyann Peck, Kwame Dunbar, Richard Demko, Jim Cretella, Bill Sawicki, John Stelma; Paul Wetowitz (alternate)

Members Absent: Beverly Kennedy; Grace Brangwynne, (alternate)

Others Present: Doug Thomas, Jean Falbo, Annmarie Drugonis, State Rep. Nicole Klarides-Ditria

Item #1 – Call Meeting to order
Chairman Bill Sawicki called the meeting to order at 7:06pm.

Item #2 – Pledge of Allegiance
Everyone saluted the Flag and recited the Pledge of Allegiance.

Item #3 – Public Comment
None

Item #4 – Deliberation and discussion of 2020/2021 Budget
First Selectman's Office – First Selectman Kurt Miller presented his budget

As many of you know, I was a former member and Chairman of the Board of Finance so I have a strong understanding of the hard work and effort that it takes to work through this process. As volunteers, I know the sacrifices that you make on behalf of the town and I want you to know how much it is appreciated by not only me, but all of the residents of Seymour. I am extremely thankful for your dedication and your desire to make Seymour a better place for all of us to live.

As I started to reflect on what I might say tonight, I started to think about the many town budgets I have been involved with in one way or another over the last 17 or so years. Fiscal Year 2018 was by far the most challenging budget we've seen in quite some time. Having to deal with substantial cuts in municipal aid well into our budget year, we were forced to make some very challenging decisions. By having a very strong base and working a plan that was created in conjunction with our Financial Advisors, we weathered the storm and moved into Fiscal Year 2019 and 2020 in a position to continue to move the town forward.

Fiscal Year 2019 went according to plan and we were able to accomplish many of the goals we had set out to do. We continued to invest in our infrastructure and roads and made several large purchases (like a fire truck) in cash to help control long term costs. Our expenses ran below budget and tax collection again trended higher than previous years. As you know, we finished FY 2019 with a budget surplus.

Fiscal Year 2020 has presented us with some challenges, but because of our very strong financial position, we have been able to address these budgetary concerns head on. Due to the fact that we will not receive a projected state grant reimbursement of $300,000 that we had budgeted for until after the close of the fiscal year coupled with a large increase in pension cost

from an extremely out dated municipal employees retirement system plan, we are currently running with a small projected deficit. However, due to the diligence of this board and our finance department, this potential deficit was identified and it is something we are working to address. We expect to have this deficit closed prior to year end.

As we enter into planning for Fiscal Year 2021, arguably, Seymour is in the best financial position it has ever been in. Over the last 9 years, through the hard work of many people, we have taken great strides in rebuilding the foundation of this town. With prudent use of capital planning and taking full advantage of optimum financing opportunities, Seymour has addressed issues that could no longer be passed over. We have developed budgetary plans to maintain a sustainable tax structure. Our goal from day one has been to insulate taxpayers from budgetary shocks. To provide a budget that was flexible and able to ebb and flow with changes to our overall financial picture. By constantly working and evolving the long term plan we have in place, we have dramatically improved every core financial.

Our long term plan has always had two basic components..... The first component is to be constantly analyzing with data, to understand the major weaknesses and issues confronting the town. During this process we have continued to identify areas including infrastructure, specifically our town buildings and roads, the use of technology, the need for increased programing and the need for improved communications. The second component is to constantly improve our short term finances to allow us the flexibility to consistently and stably work our plans for the long term.

The budget that I will be presenting tonight is the direct result of our evolving 5 year plan. As you go through your notes of the last month, you will notice in certain places the difference between my budget and the requested budgets of the different departments. While each department is only concerned with their small piece of the pie, my budget takes into account the entire picture and how it all fits together. While I would love to support and fund every request, it is just not possible. Based on the revenue I am projecting, I have created a budget that goes hand in hand with the long term plan we have in place, allowing Seymour to continue to move forward while still addressing our identified weaknesses, but doing so with an eye toward the cost to our residents and keeping the mill rate stable for a 5th year in a row. with an increase of .1 mills (@ $120K)

With that in mind, I will be breaking down my presentation into specific parts.....

1. S&P review presentation to discuss the town's current financial situation
2. S&P analysis of the town of Seymour's financial position
3. Revenue Projections for FY 2021
4. FY 2021 Expenses broken down by department
5. Capital plan for FY 2021 and beyond

- **#1 – S&P Review Presentation to Discuss the Town's Current Financial Situation**
  This presentation was given in Boston to S&P – presentation was about 1 hour, 45 minutes.
  One of the major things that stood out to them was the dramatic drop in our Fund Balance – but as we explained – it did not drop; we simply re-purposed the money into different accounts.
  The handout listed the people who attended for Seymour and who they are (**Pg. 2 and 3**).
  Pg. 6 – 9 was a Profile of the Town detailing our (physical) location (we do receive credit for being within three major cities – New Haven, Bridgeport & Waterbury - and showing an organizational chart which, they liked. It showed a very efficient division of people (not too many reporting to one person).

Pg. 11 – Sound, Stable & Proactive Management – they like to see this type of planning; the road plan detailed how we improved our roads and how we spent and will spend the road monies **(Pg. 12).**
Pg. 13 – Shows the support from the residents on our administration and what we are doing in Town. The information shows how the approval of the budget referendums went from 3 or 4 tries to pass the budget in 2012 to passing the budget on the FIRST referendum for THREE YEARS IN A ROW. Also, they supported the spending of $5 million for our Road Program and $1.4 million to upgrade our emergency telecommunication system.
Pg. 15 – 17 - Discusses our Economic Development in Town. Economic Development is not a supermarket or restaurant, it is our largest taxpayers and largest employers re-investing in the community. Commerce & Technology Parks; we are spending a good chunk of money for repaving & drainage work in the Commerce & Technology Park which shows S&P that we are making investments in businesses that are making investments in the Town of Seymour. Page 17 details the Recent Economic Developments. It did not include the Kerite partnership with Vineyard Wind to do the wind farms that will be in Long Island Sound. Kerite has come to us regarding making a $10 million investment into the property in downtown Seymour. Initially the number was much lower than that, but they want to take advantage of our tax incentive program, so they are going with $10 million; this has the potential for an additional 30 jobs.
Pg. 18 – shows our Net Grand List & Property Tax Revenues have risen over the past 5 years.
Pg. 19 – shows our Building Permits – S&P is extremely interested in this. They want to see the building that is going on; houses that are being re-developed – re-investing in the community.
Pg. 20 - Income statistics – these numbers are not large enough to get us to AAA credit status; but I feel that we are better off with AA+ because we can keep us there easier – best suited for us.
Pg. 21 & 22 – show our 10 largest employers and taxpayers – engines that really drive the community – they help stabilize the mill rate for the long term and helps bring jobs into the community. We do have some of these people are enrolled in our tax incentive program.
Pg. 23 – Legacy Liabilities – OPEB Trust; we saved $1 million when we switched from Anthem to Cigna for healthcare a few years ago. We are now exploring three other options: CT Partnership, Consortium for a Self-Funded option, and Anthem. We will be going back to Anthem one way or another – they currently run the Partnership and Consortium and so far, they have provided us with the best fully insured option.
We are waiting for some final numbers to come back and then we will sit down with the Board of Education to discuss their best option. There is the potential that the Town and BOE may go in different directions. The Town's share of the MERS Liability is $8,391,149 as of 6/30/19. The only way to get out is to buy your way out. But we would need to take out a pension bond and could only move forward IF we get all the union contracts to agree to it. At this point, we will be staying. We will keep lobbying to get the MERS plan changed.
Pg. 24 – Other Notes: Here are listed some details of our Cybersecurity for the Town. We will be moving to a SHARED accounting system (financial software) with the Board of Education to increase efficiencies and transparency.
Pg. 25 & 26 – Discusses our Fund Balance. S&P would like everyone to be at 15% or higher. This will, for us, take a long time to realize. Currently we sit at 12/1%; there has been an increase to our Fund Balance over the last five years – certainly something to be proud of. In 2011, when I first took office, we were at 5%.
Pg. 27 - Managing our Debt Service – we have been very active in the bond market over the last six years (we have made heavy investments in our roads and infrastructure & technology); our debt ratios have continued to drop each year; S&P says that a healthy number is between 6 & 8%. We sit at 6.03% (before our bonding & restructuring) so for FY2020 we will sit at 5.2%. S&P does like the fact that we have a lot of capacity but want to make sure that we are doing this in a responsible way to make sure that we are not masking any deficiencies.
Pg. 30. – Shows our Debt Profile. We spent a lot of time explaining our long-term plan and our goals for the future, particularly how we can build a Community Center and pay for it in cash. FY21 will be the highest our debt will be for the next 30 years If we take on no additional debt (not likely). If we make the commitment

to keep our debt service level for the next 5 to 10 years, we will have the ability to re-invest in other things. (Pay for the community center in cash, invest in roads, buy a fire truck, etc.) without having to raise the mill rate. By designing our debt the way we have, we give ourselves the ability to re-invest in our community but do so without spiking the mill rate.
Pg. 32 – 36 – We needed to spend some time talking to S&P about spending the $6.5 million and our needs, the restructuring rationale short and long term, security, and the proposed timeline for the issuance of the bonds. We expect to close on March 18th. One of the consequences of the coronavirus is that there has been a "flight to safety" in the market. Initial restructuring had our projected debt payments at $3,025,000. This number has come down about $80,000. We can do bond pricing earlier than the 10th if advisable.

- **#2 – S&P Analysis of the Town of Seymour's Financial Position**

Kurt Miller handed out the S&P Report of our Bond Rating. They have awarded us the AA+ rating once again. This reflected their opinion of Seymour's very strong economy & stable property tax base, continued balanced operations & strong budgetary flexibility. We have strong financial management with good financial policies & practices. We have very strong liquidity and strong institutional framework score. We have gotten the GFOA award for 5 years in a row. We have a strong debt and contingent liability profile. We are proactively issuing these refunding bonds to smooth the effect of its new-money issuance on debt, maintain manageable debt-service costs, provide future capital-project flexibility without new debt issuance, and use state legislation that allows municipalities to issue GO bonds with 30-year maturities that should expire next year. They recognize that we are not in financial distress. They think we are in very good shape. They were very pleased with Tax Collector's work. We will leave her # at 98.6%.

I will ask to lock us in at 11.5% for our Fund Balance. Then we have 0.6% of our Fund Balance to move around as you see fit, if we need it. If we go below the 11.5%, then that triggers the Strategic Plan proviso where a plan needs to go to the Board of Finance and the Board of Selectmen. This is to protect the Town long-term.

We have been able to maintain our AA+ bond rating. This is something to be very proud of. Many of the communities in our area have been downgraded. It is a tribute to all your hard work. This is something that people wo want to invest in this community look at. A big "thank you" to Doug Thomas for explaining to S&P some of our "creative" accounting methods. He had the last three audits out and was able to answer any questions they had.

- **#3 – Revenue Projections for FY2021**
  Budget Summary
  - Town Revenues - % change – FY17 through 21 is the true impact of taxes. This year the impact is 0.81%. Over the last five years the number has changed less than one percent. Particularly with the amount of improvements & reinvestments & progress that we have made. It's easy to do it one or two years, but to do it for five years takes a lot of work. And a lot of people working together.
  - Town Expenditures – 1.14% increase per the First Selectman's budget. The municipal side of the budget will go up 0.60% (or $139,215), the Board of Education will go up 1.50% ($512,371) for a total increase of $651,586.
  - Property Tax Calculation – net grand list has grown $6,451,678 or 6.76%. Using a collection rate of 98.6% as of 2/29/20 the Tax Collectors Office has collected 97.27% of the 98.6% budgeted. They are in great shape. I am recommending a budget of 36.10%. To get to even is about $120.000 (no mill rate increase). But if the mill rate stayed the same for a fifth year in a row, it would raise a red flag with S&P (that maybe we are making these decisions for political reasons). Our priority is about

continuing to give our residents the level of services that they expect; continuing to reinvest in our infrastructure and reinvest in our community to move us forward.

Revenues

Should be $58,027,196. **Doug please correct the "Use of Fund Balance" to be $225,000 on the Revenues Page.** I have been very conservative with these numbers. We had an increase of Private Duty Fees (with $5 million worth of road work going on and the start of Holbrook Road). The $300,000 for closeout of Chatfield/LoPresti school we had anticipated for last year, we are expecting to receive by FY2021. This is an estimate.

- **#4 – Expenditure Projections for FY2021**

  Not going to go through line by line. My budget has cut $1.2 million from the departmental requests. Their requests look to what is best for them. We need to look at the big picture, pulling everything together. On day 2 of the Financial Summit, the department heads presented their budget to their peers. We then went through the Capital Plan.
  - Areas of concern: Employee benefits
    - Health Insurance – three current proposals in front of us: 1. CT Partnership Plan (increase of 4.5%) 2. Fully Insured Plan (increase of about 8%.) 3. Self-Insured Plan (ranges from 6.5% to over 10%) (probably not going to do this one). The Partnership Plan is an absolute train wreck. They have been under funding this plan over the last few years. They will not be able to maintain itself. There are buy-out provisions. If we used the Partnership Plan, we would be rolling the dice. The premiums could spike next year. We are not sure which one we will go with. We will sit down with the Board of Education to decide. Bill Sawicki asked with the Stop Loss is. Kurt said it is 115%. Our loss ratio is about 96%. For his budget Kurt budgeted an 8% increase. If we went to the Partnership Plan, that would save about 3.5% (about $73,000).
    - Retirement – last year we know there was the potential that the MERS cost would go up but didn't want to tax the residents on a "what if". But now we have an increase of our MERS contribution of 30.94% (about $330,000). Next year it will go up more – the plan is to have the police up to about 24% and municipal employees to about 15 or 16%. Because the legislature can't make the same changes for municipalities that they made for themselves. Eventually, the municipalities will not be able to hire employees and could end up hurting the unions. We are in the same plan since the 1970's.
    - Worker's Compensation Insurance – lower that number a bit; we have built up a good reserve.
    - Capital – we have lowered the Roads & Building Repair Fund. Next year will be a revaluation year. Then we can bring these accounts back up. We are borrowing $5 million for roads. That should be enough for now. One of the biggest drains on the Building Repair line is the Community Center. We are going to have the first meeting of the Building Committee two weeks from Wednesday night. Hopefully we will have a new Community Center by the spring of 2022.
    - Listed in Contingency - the big new initiative in my budget is the "Town Hall Intern Program" – for $3,000 . We would like to take a student in college as a summer intern be able to offer them a stipend of $3,000 ($2,500 + benefits) for their time. We have had volunteers in the past.
    - The Debt Service –in the Interest section I put the full P&I payment from Mesirow we are expected to make in 2021. Once we do the transaction, Doug will put everything in where it should go.
    - In the Capital line, there are three items that are fixed: the streetlights for $60,023; the JCI payment of $43,575; and the $300 rolling capital plan payment.

- Under P&I – when John gave us the number for our restructuring/refinancing it was $3,025,831. As of yesterday's market, the number is now $2,937,831. Coronavirus effects on the market. The Town Capital, Contingency & Debt Service is up 0.6%. The Board of Education is up 0.5% - total increase is 1.14% or $651,586. The 1.5% was from the Financial Summit when we were talking about numbers that would work. This number is contingent on health insurance. The BOE will need more money if the health insurance goes above 10%.
- **Doug will ask Sherry to have their revised number to the Board of Finance by Wednesday. Also, please change the heading to 2020/2021 budget.**
- Bill Sawicki asked if (since we have a deficit with Cigna) we will have to write any checks to them. Kurt said this was a bargaining tool, but Cigna decided to eat the $800,000 and walk away.
- Kurt said that we are required to budget a 3% increase in utility lines. The Board of Education needs to budget this increase as well.
- Bill Sawicki asked Doug to have a spreadsheet showing the First Selectman's budget next to the Department Requests next to the Board of Finance column for Wednesday's meeting.
- Kurt said the Capital Plan will be addressed with the Board of Selectmen after the budget is done. Bill Sawicki asked if the Public Works put in for the staffing request. We broke it out a little differently – 2 foremen, mechanic, 10 drivers, laborer; they converted a driver to mechanic-driver. Will reduce the seasonal help and includes one additional person (laborer).
- The Town Hearing will be on April 9th.

Item #5 – Adjournment

Meeting was adjourned at 8:14pm.

Submitted by:

Monica Dimon
Recording Secretary