

Town of Colchester, Connecticut

127 Norwich Avenue, Colchester, Connecticut 06415

Board of Finance Minutes
Regular Meeting Minutes
Wednesday, June 15, 2016
Colchester Town Hall @ 7PM

RECEIVED
COLCHESTER CT
2016 JUN 17 AM 8:53

MEMBERS PRESENT: Chairman Rob Tarlov, James McNair, Rob Esteve, Andreas Bisbikos, and Andrea Migliac

MEMBERS ABSENT: Thomas Kane

OTHERS PRESENT: First Selectman Art Shilosky, CFO M Cosgrove, BOS D Mizla, BOE B Bernier, Tax Collector Wyatt J Mattos, and Clerk T. Dean

1. Call to Order

Chairman R Tarlov called the meeting to order at 7:00 p.m.

2. Additions to the Agenda - none

3. Approval of Minutes: May 18 Regular Meeting; June 2 Special Meeting

J McNair moved to approve the Regular Board of Finance meeting minutes of May 18, 2016, seconded by R Esteve. Unanimously approved. MOTION CARRIED

J McNair moved to approve the Special Board of Finance meeting minutes of June 2, 2016, seconded by R Esteve. Unanimously approved with one abstention by A Bisbikos. MOTION CARRIED.

4. Citizen's Comments – none

5. Budget Process Review

R Tarlov invited discussion on any suggested changes in the process.

J McNair suggested having a page that would clarify BOF role. Also one place where proactive information can be posted. A Bisbikos inquired on the status of the budget fb page. R Tarlov indicated it is not up and running at this time. A Shilosky stated that he feels there is too much dialogue on the budget fb page. R Tarlov stated that he didn't think that Brad and he had posted any information in the weeks before the first vote and that the dialogue taking place on the budget page shifted out to other fb pages. Discussion then took place regarding possible parameters for the budget fb page. R Tarlov discussed having a tri-board meeting with the Building Committee too explain BOE declining enrollment vs budget figures. R Esteve suggested including revaluation information.

6. First Selectman

a. Transfer Requests

All transfers are pending BOS approval and a Town meeting for snow transfer.

A question on the Police payroll transfer – CFO M Cosgrove stated the budget is either 5-year promotion or 4 years with a project. This year it was 4 years with a project and the project may not have been anticipated.

R Esteve moved to transfer \$85,215 to Snow Reserve Fund from unexpended balances in the Snow Removal budget, pending BOS and Town Meeting approval, seconded by A Bisbikos. Unanimously approved 5-0. MOTION CARRIED.

R Esteve moved to approve the block of 5 transfers, pending BOS approval, seconded by J McNair. Unanimously approved 5-0. MOTION CARRIED.

b. First Selectman's Report

Builders Risk for WJMS will be addressed once quotes go out for the building. O & G has a plan with USI. Norton Mill update, along with future schedule outlined. The town is on the short list for a 2nd grant for the mill. Library, Police Public Works negotiations underway. Noels has a deposit on the Old Mill Fabric past location.

7. Correspondence - none

8. Department Reports

a. Finance

CFO M Cosgrove read the report on revenue. 98.71% on current year collection rate. State revenue still waiting on

3rd portion payment for Mashantucket Pequot. LOCIP grant has been submitted. Expenditure side; transfers are starting. Adopted BOE budget should be on the way to printers shortly, as well as the town budget.

b. Tax Collector

M Wyatt stated 149 liens on real estate; released 26 of those liens; working with collection agency and town Marshall for enforcements; 6/30 tax bills will be mailed.

9. Liaison Reports

J McNair reported on CHVFD – Middlesex Hospital will be charging towns for paramedic services. Discussed Fire Company in relation to Town Fire Department. Strategic Plan should be coming forth with a first draft within the next month. The Board discussed the Strategic Plan timeline in relation to the budget.

A Migliaccio reported on Commission on Aging – Stated that the seniors were curious on the status of the senior center. A Shilosky responded that an extension is needed for the proposed purchase agreement for the current senior center. 9/13 is the tentative referendum date. Another subcommittee would be created to go forward on a new senior center.

R Esteve reported on Board of Education – June meeting they recognized 14 retirees. WJJMS building project received the letter officially authorizing funding. Budget to date as of 5/31 is 99.2% expended or encumbered.

A Bisbikos reported on the Park & Rec subcommittee - topic will be discussed later in the meeting.

R Tarlov reported on the Building Committee – O & G cost estimates discussed. Listed items needed to cut to stay within budget. Approximately three months behind schedule. Triboard meeting with the Building Committee will be scheduled over the summer.

10. New Business

a. Update 2015-2016 BOF Goals and Objectives

Updated "next dates" on items. Reviewed current list.

b. 2016-2017 BOF Goals and Objectives

Discussed Program Funds, it was suggested to have reports sent quarterly to BOF by P&R with the next report for the 1st or 2nd meeting in July. Board of Finance Web page, J McNair suggested posting charts discussed in meetings on the web page. Fund Balance discussion took place. Board members should review the list, add to the list as necessary, sort by priority, and then the Board will reach a consensus.

11. Old Business

a. Recreation Field Subcommittee

A Bisbikos discussed the Sports Park Improvement Fund (renamed from Park & Rec Improvement Fund) language which was reviewed at the last P&R subcommittee. The group also reviewed the Field Sustainability Task Force recommendations. J McNair stated an outline for short and long term needs/goals was created, using no tax dollars. CFO M Cosgrove stated there will need to be a review in language from the draft to the current ordinance to ensure there is no conflict.

b. Senior Center Study Committee - none

12. Citizens Comments- J Mattos informed the Board of a facebook option which features a way to get feedback anonymously. Also suggested that the BOE and BOF conduct budget presentations at the schools next budget season.

13. Adjournment

J McNair moved to adjourn at 8:54 pm, seconded by R Esteve. Unanimously approved. MOTION CARRIED.

Attachments (2) : 2016-2017 Objectives and Initiatives
Graphs

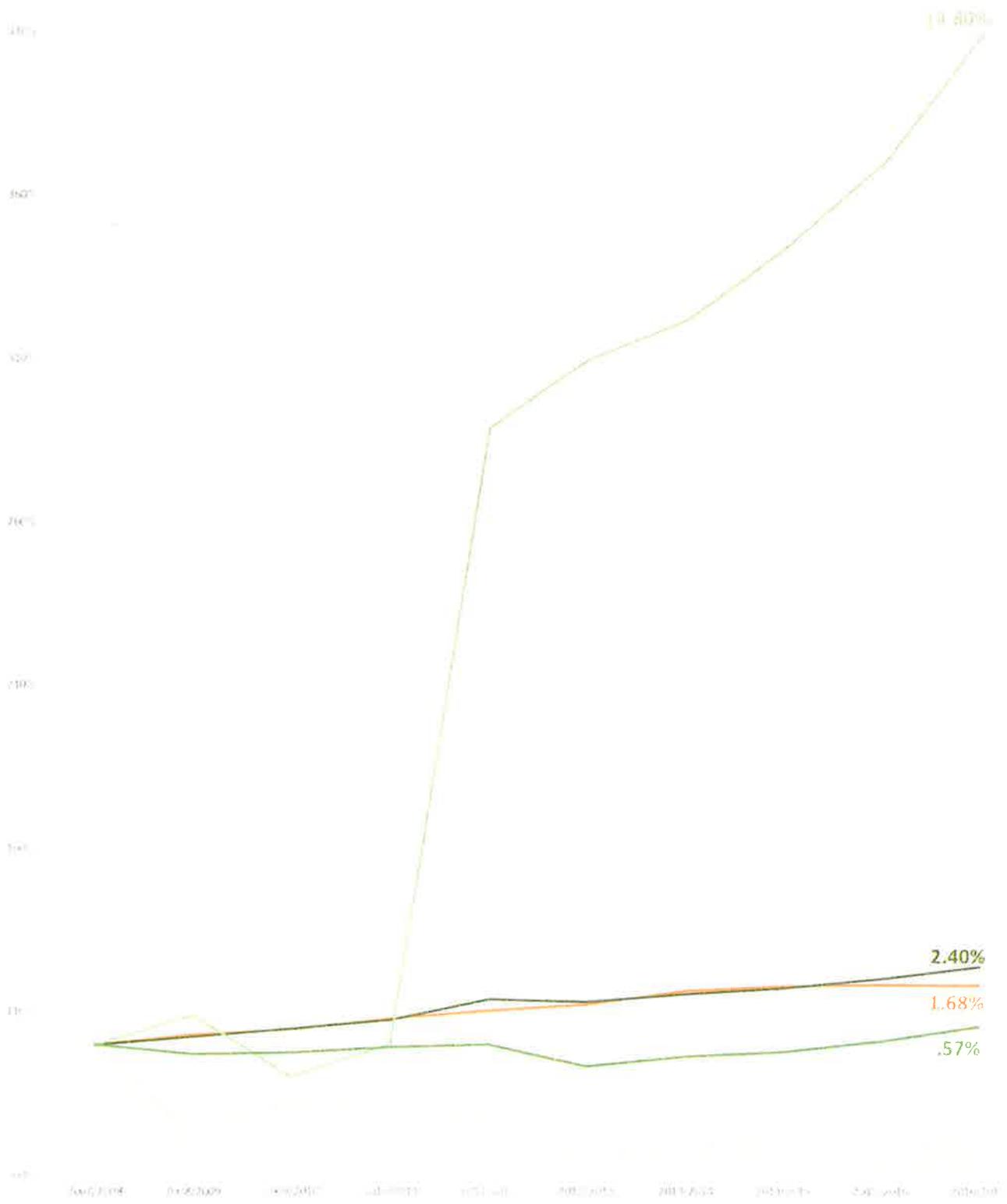
Respectfully submitted,

Tricia Dean, Clerk

| (A, B, C) (1, 2, 3) | 2016 - 2017 BOF Objectives and Initiatives - June 15, 2016 | NEXT STEP | NEXT DATE |
|---------------------|---|---|------------|
| A | <ul style="list-style-type: none"> Improving the narratives for Budget documents. Too much is still given verbally at meetings that are poorly attended. Communication during off budget season. - continue work done on communicating, Informing and Educating the Voter during the upcoming year. Communication during budget season - review survey and recommendations from last year | Revaluation, Declining Enrollment, 10 Year History, Sustainability, Unexpended Budgets Budget Season Communications Subcommittee: Rob T., James, Don, Brad, John, Stan - met on 1/12 | 2016 June |
| A | <ul style="list-style-type: none"> Program Funds - don't think the voter is aware of the fact that money is raised outside the budget providing relief to the taxpayer (Youth Services, Senior Services) | August 19: Cheryl presented department's goals and objectives | |
| A | <ul style="list-style-type: none"> Recreation <ul style="list-style-type: none"> What expenses should be paid from here? What if the programs create surplus and build up the fund? What if the fund is operating at a deficit? Other department have similar funds, but unlike this fund, we know little of them. Review format of Rec Program Fund report - create base line to review increased hours | October 7: Cheryl presented plans to increase Program Fund income by increasing the hours of the Recreation Specialist and hiring a seasonal park ranger, to be paid from the fund. Consensus to move forward with quarterly reports prepared for the Fund. November 5: BOS approved the increase in hours | 2016 3-Feb |
| A | <ul style="list-style-type: none"> Quarterly Review Rec Program Fund report - additional hours Quarterly Review Rec Program Fund report - additional hours BOF Web Page: mission statement, centralized location to retrieve BOF policies. | DONE MISSED | 2016 April |
| A | <ul style="list-style-type: none"> Health Insurance Funding Formula - minimize year to year volatility in funding | Maggie, Rob T, Ron and Art met with Lockton in beginning of May. Maggie to work on showing the impact of proposed changes when budget season is over. | 2016 July |
| A | <ul style="list-style-type: none"> UNION CONTRACTS: Is only the First Selectman involved before and during the negotiations or is BOS involved in the process before the end when approved. | First Selectman to keep BOF updated during negotiations. | 2016 July |
| A | <ul style="list-style-type: none"> Create a policy for funding from operating budget to maintain Unassigned/Undesignated fund balance %? At this point we create by luck and by loose budgeting on some items. Current interest rates are at no help in having fund balance keep pace with budget increases. | Check trend when 2014/15 number available. | 2016 July |
| A | <ul style="list-style-type: none"> ENERGY PROJECT - Using what we save above lease payments - absorb into operating budgets or capital projects? Jim P presented at 10/21 meeting - <ul style="list-style-type: none"> Create policy as to what lease payments will be used for when they expire in XX/XX/20XX. | Is the data needed for the monitoring the guaranteed relevant for budget impact analysis. 11/18/2015 reviewed and doesn't seem possible | 2016 Oct |
| A | <ul style="list-style-type: none"> Continued study of reorganization of Town Hall | | 2016 April |
| A | <ul style="list-style-type: none"> Fire Department Strategic Plan | Began 07 2015 | 2016 April |
| A | <ul style="list-style-type: none"> PEOPLE COSTS <ul style="list-style-type: none"> Have official document explain benefits package in contracts STEPS: a document stating # staff get contractual increases by increase range 1-2%, 3-5%, 6% and higher | Subcommittee to review - time dfid not permit | |
| A | <ul style="list-style-type: none"> Grants | | |
| A | <ul style="list-style-type: none"> LEGAL budget plan | | |

| | | | | | |
|---|---|--|---|------|-----|
| | <ul style="list-style-type: none"> o Graphs and a Budget in Brief § Review BOF graphs and new ones created on 6/24 by Town staff § Choose relevant graphs: how to best create relevant and objective graphs to be included in a "Budget in Brief" § Create Budgets in Brief that are similar for BOE and Town | <p>On the web site: full budget, abbreviate budget with just the department total pages and Stan's presentation from 3/31 and tax impact chart.</p> | 2016 | Oct | |
| A | <ul style="list-style-type: none"> 1 • SURVEY • Budget Direction <ul style="list-style-type: none"> ▪ Town budget - 2015 - 2016 process - repeat for 2016-2017? • Approach to budget - present the cost of those items that are ongoing items to determine the cost of maintaining current services. • Have departments prioritize new initiatives and assign cost/benefit to each separate from the above. § Department Review to Begin Review with BOF in October • Connecting the maintenance of services with a dollar amount and % increase. There was a lot of confusion what maintaining services actually meant. § New initiatives" calculated separately to see impact on the mill rate. This would also produce the impact on the mill rate if current services were § Also if spending were the same as last year, what would mill rate be? | <p>§ Having Budget document showing headcount trends for Town and BoE.</p> <p>Stated at 4/1 Meeting, would like to see this chart in the budget in brief</p> | 2016 | Oct | |
| A | 1 | | | | |
| B | <ul style="list-style-type: none"> • Financial Reports: <ul style="list-style-type: none"> ▪ Getting better reporting of sub line items. Should reflect the same line items, including sub items, as the budget. ▪ Should be delivered to BOF by the Friday before the meeting. Getting them on Monday or Tuesday or day of the meeting does not give time to review. ▪ Encumbrances and irregular spending patterns of some line items make it difficult to know where we stand § A YTD comparison with last year would provide better perspective <ul style="list-style-type: none"> • Same on proposed budget as the projections by department heads of year end spending often are not relevant to reality. ▪ Giving us quarterly reports showing significant opportunities for savings and risk | <p>IMPLEMENTED - continue in future budget process</p> | 2016 | Oct | |
| B | <ul style="list-style-type: none"> • Department Fundraising - We need to do a better job of letting the public know. <ul style="list-style-type: none"> ▪ Recreation ▪ Youth services ▪ Senior Center Donation Fund | | | | |
| A | 3 | <ul style="list-style-type: none"> • BUILDING REPAIR/MAINTENANCE/REPLACEMENT <ul style="list-style-type: none"> ▪ Create a Funding Plan for the Schools and Town Buildings Plans ▪ Determine annual funding amounts over the <u>next 5 years</u> | <p>11/18/2015 - Jim P and Ken Jackson presented updated plan</p> <p>Will be added to the Reserve Plan</p> | 2017 | Jan |

Budget Changes - 2007 to 2017



Education

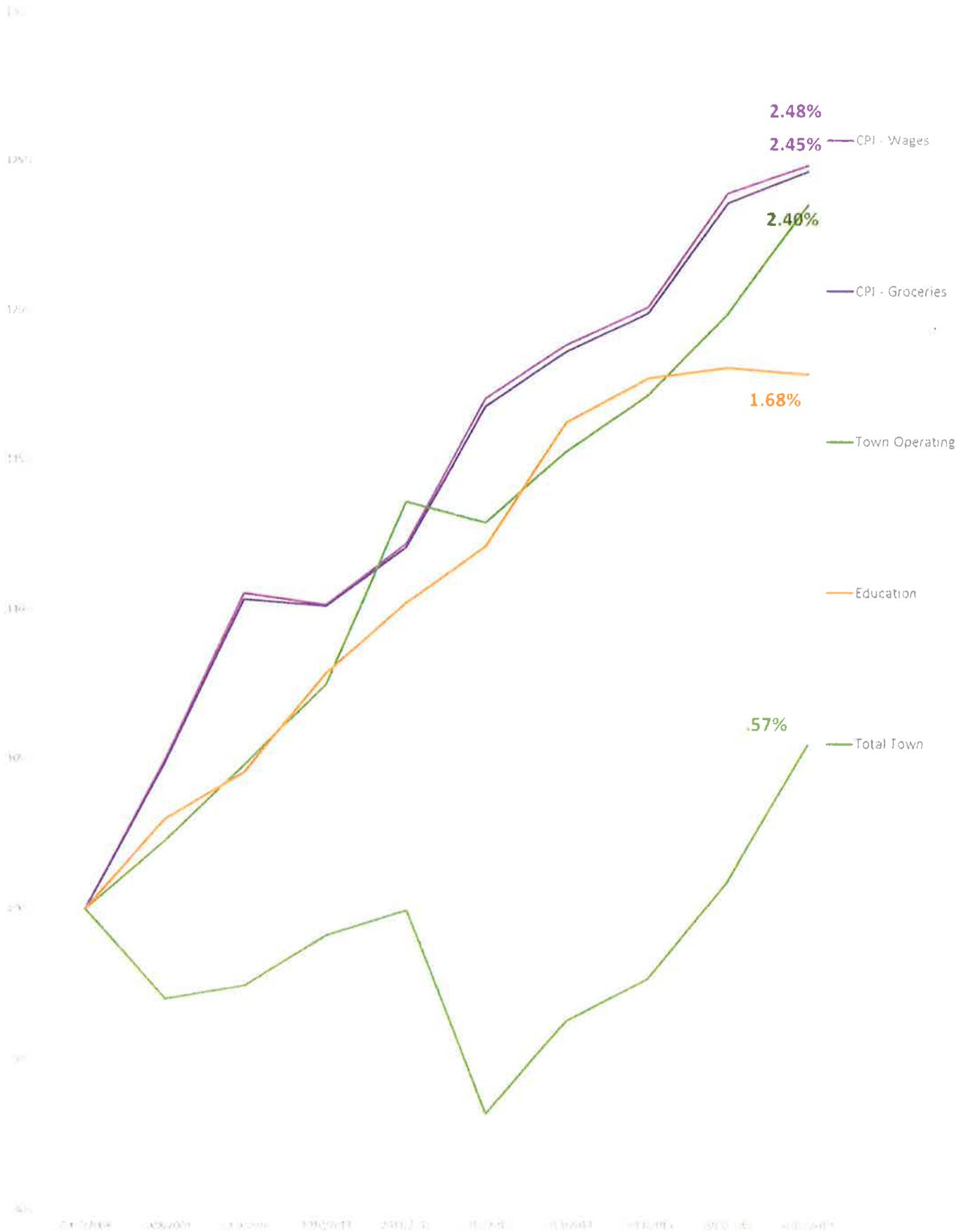
Town Operating

Debt

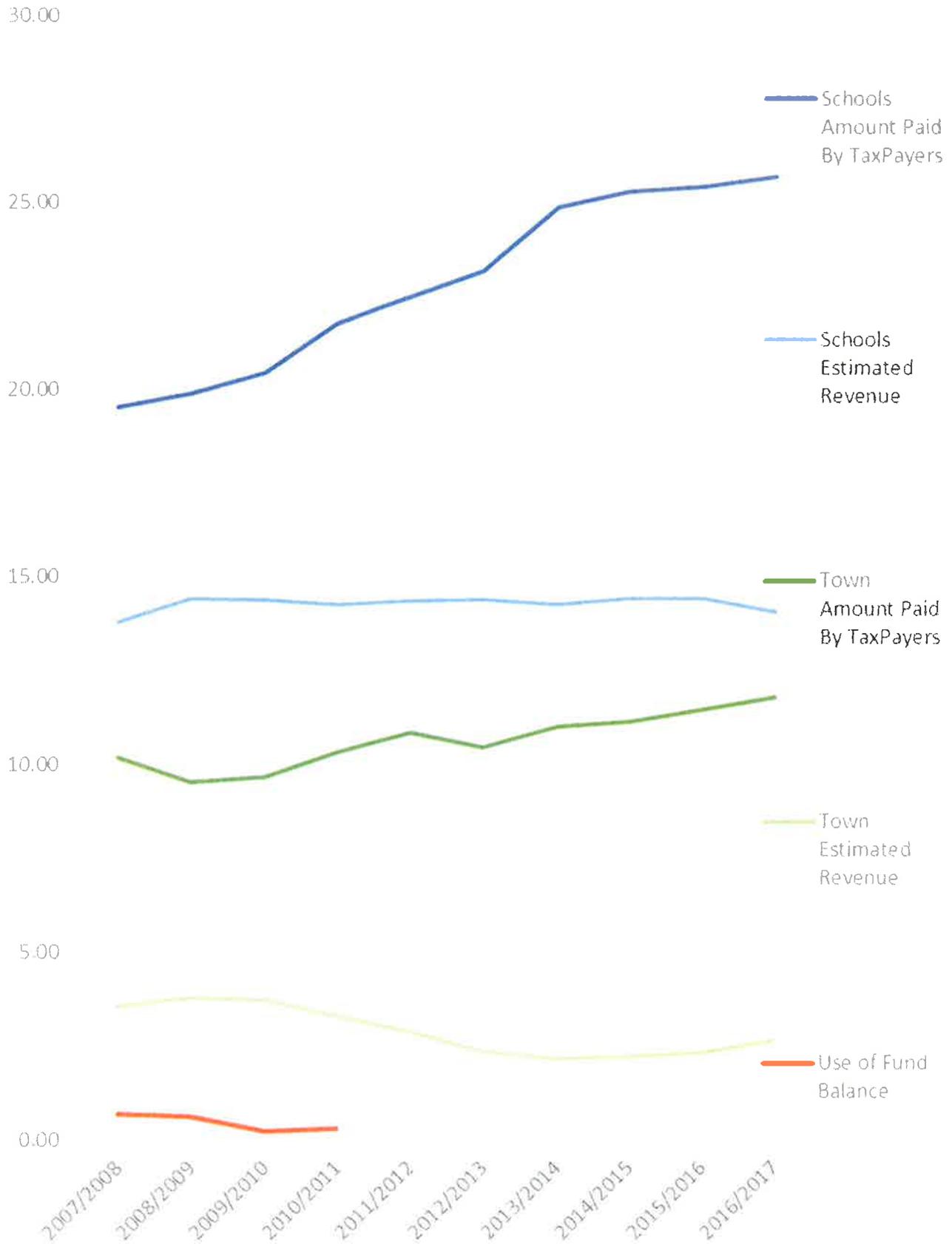
Capital

Total Town

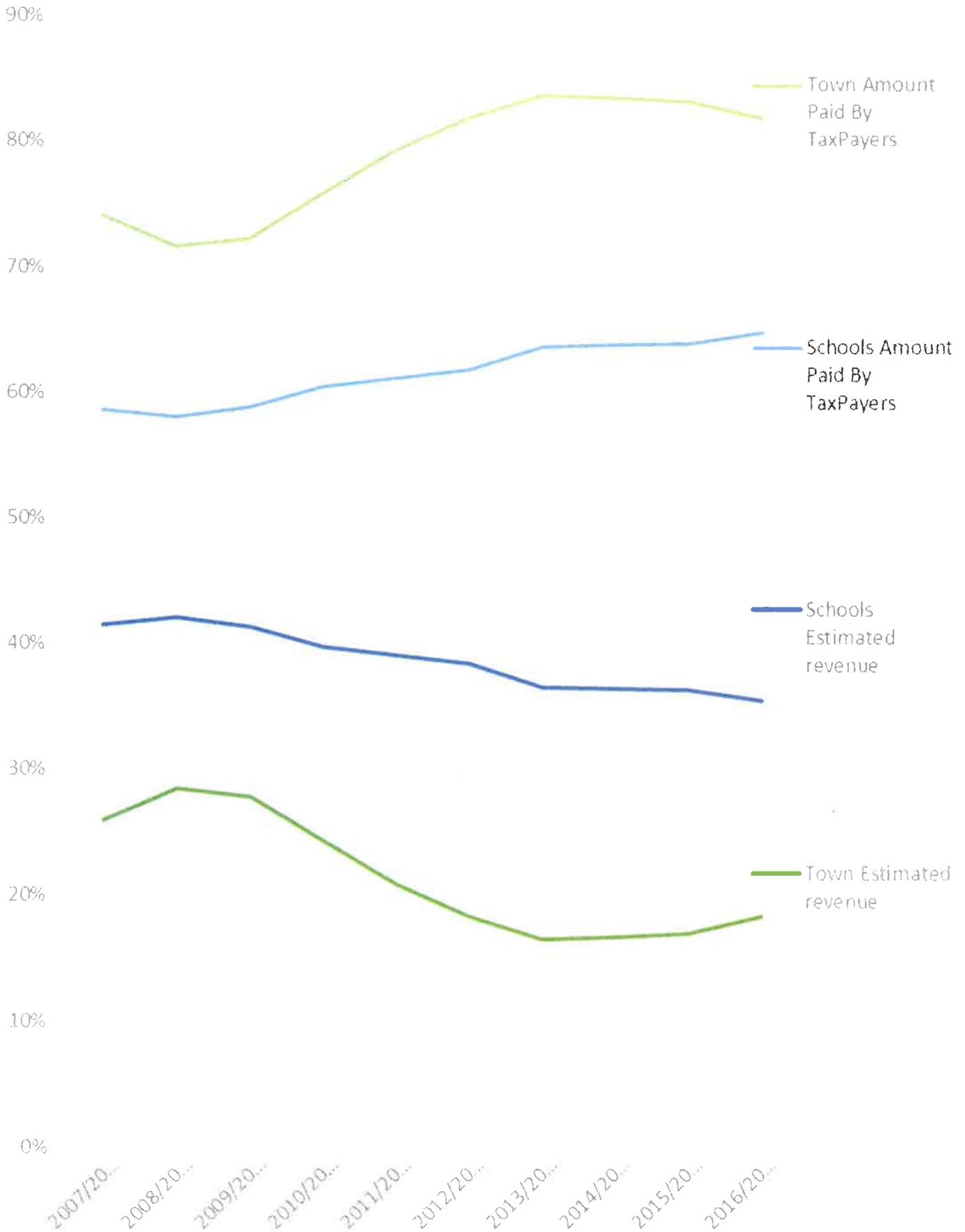
Growth of Town Budgets Compared to CPI



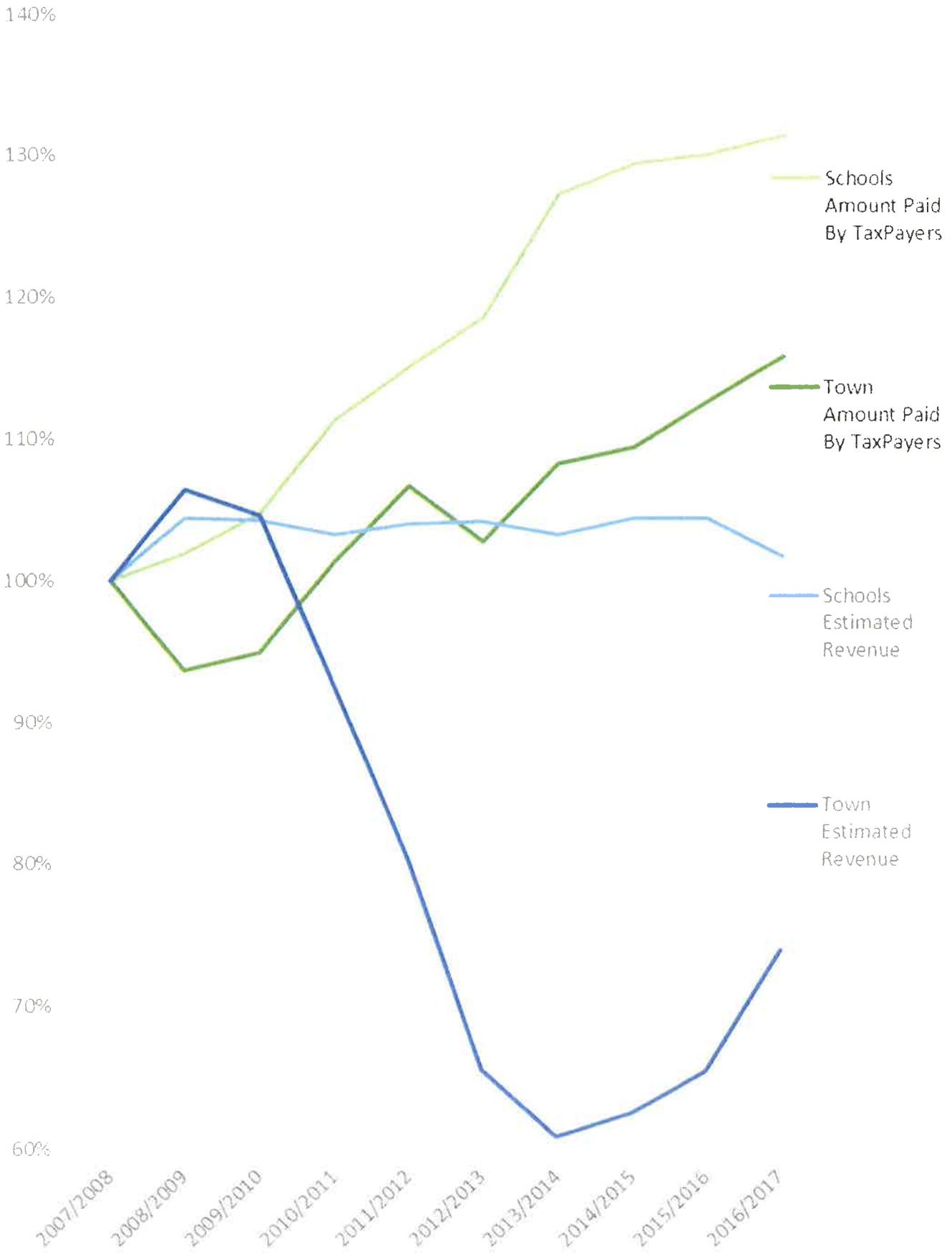
Revenue vs Amount Paid By Taxpayer



% of Revenue vs % of Amount Paid By Taxpayer



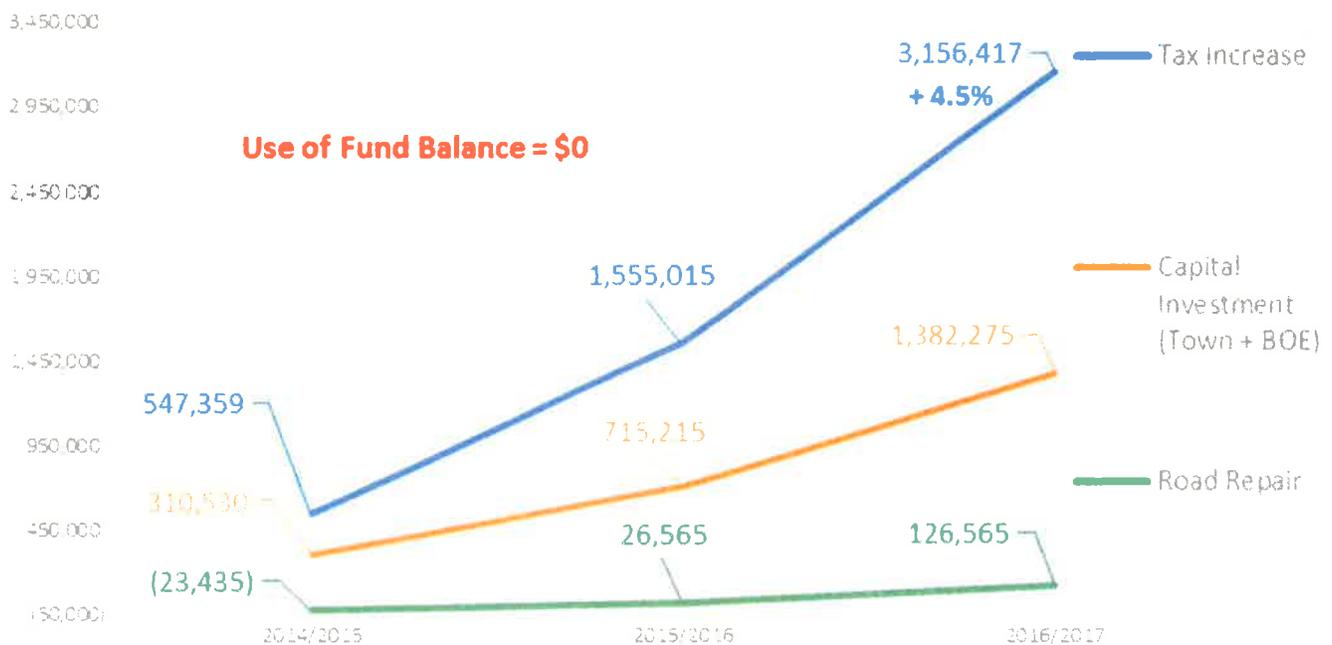
Changes in Revenue vs Amount Paid By Taxpayer



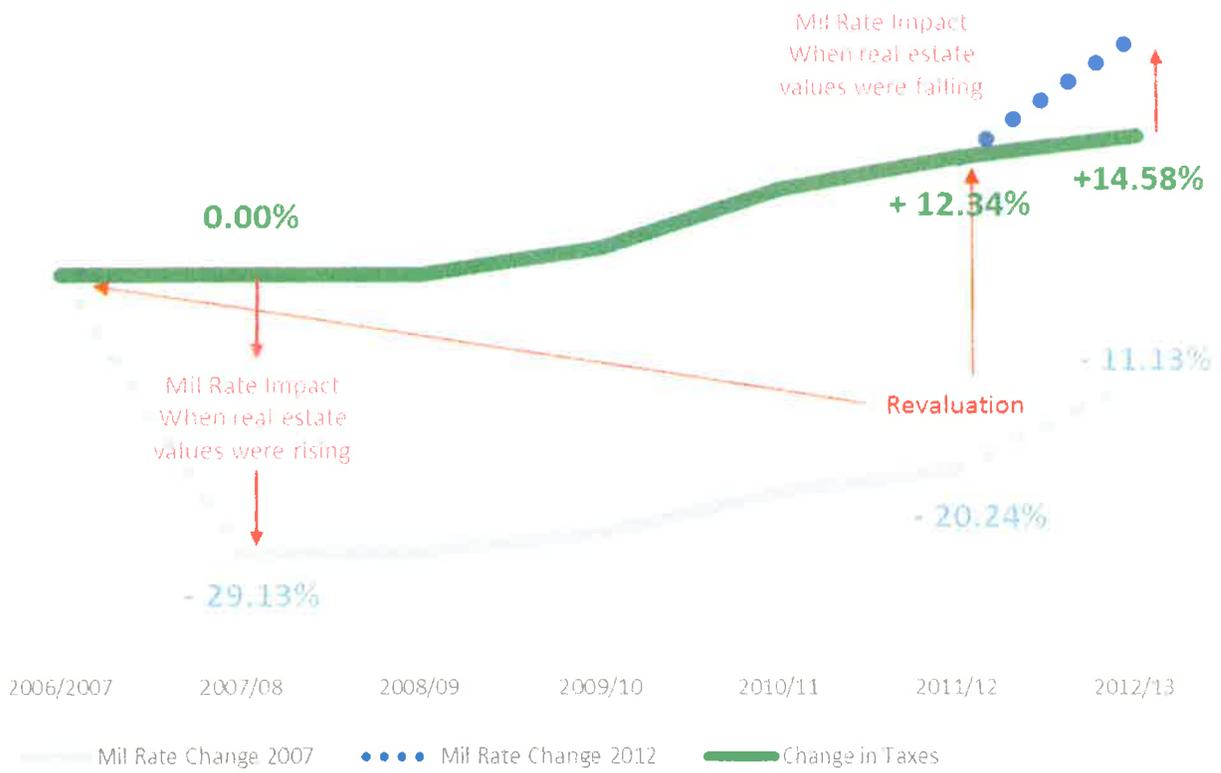
Cumulative Change in Taxes vs Changes in Capital and Use of Fund Balance (2007 - 2010)



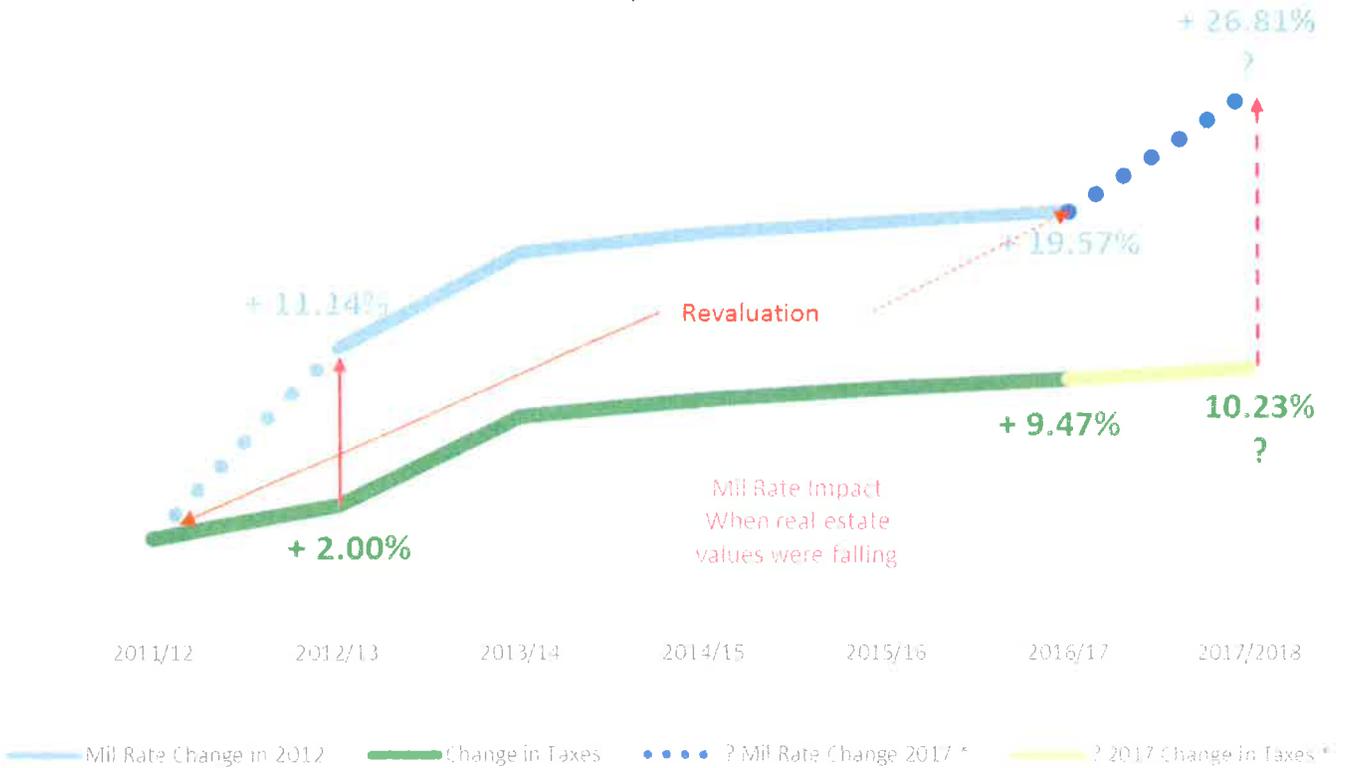
Cumulative Change in Taxes vs Changes in Capital and Use of Fund Balance (2014 - 2017)



Revaluation Impact 2007 and 2012



Revaluation Impact 2012 and 2017*



* Assumes 5% decrease in home values and 3 year average budget increase of 0.689%

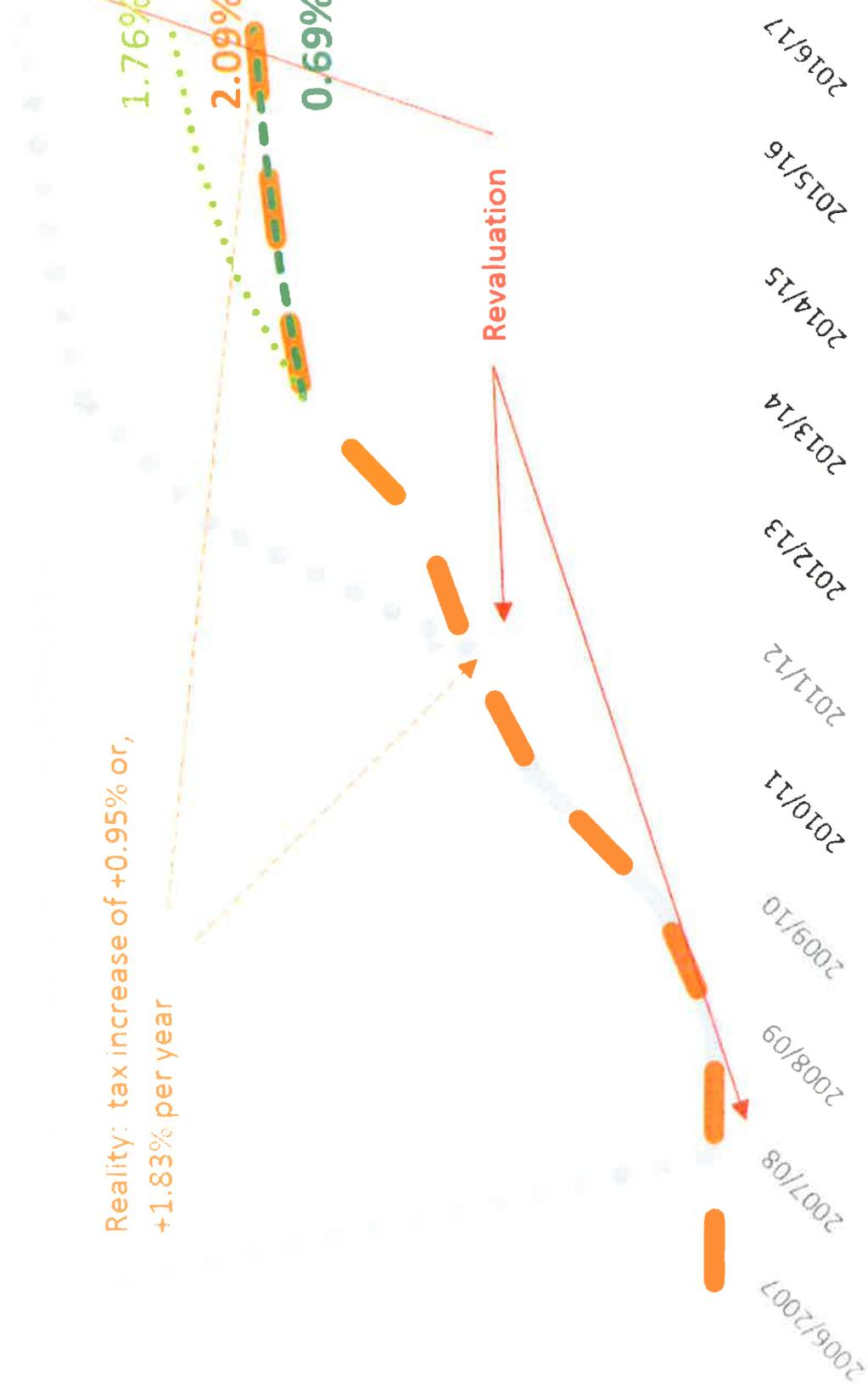
Tax Increases and Mil Rate - 10 year history

Many incorrectly use mil rate increase to illustrate tax increases:

Reality: tax increase of +0.95% or, +1.83% per year

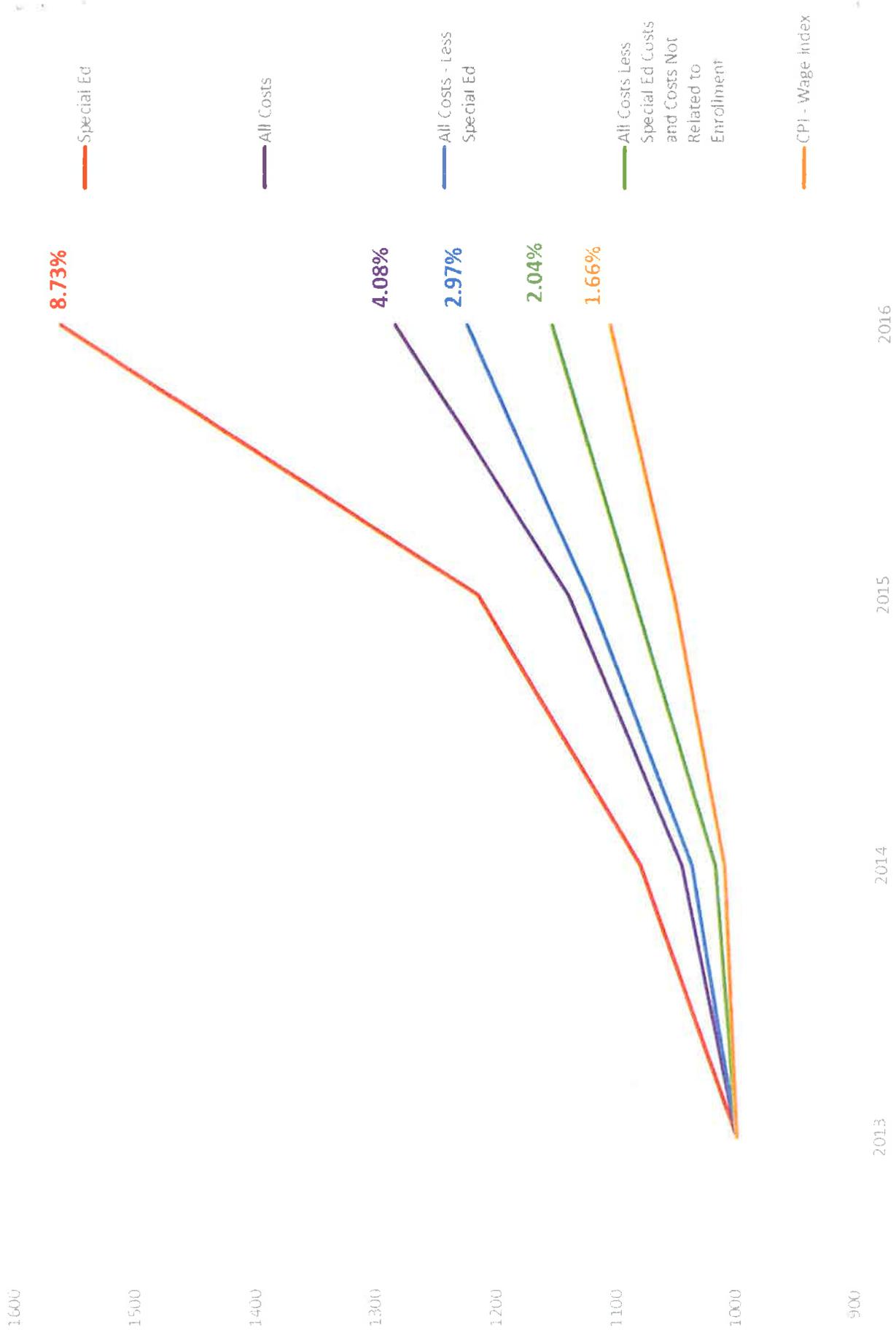
1.76%
2.09%
0.69%

Revaluation



- Mil Rate Change
- Approved Tax Increase - last 3 years
- First Referendum Tax Increase - last 3 years

Cost Per Pupil - 2013/14 - 2016/17



| | 09/10 | 10/11 | 11/12 | 12/13 | 13/14 | 14/15 | 15/16 | 16/17 (P) |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Attending School in Town | | | | | | | | |
| PK | 69 | 61 | 80 | 76 | 59 | 60 | 92 | 93 |
| CES | 663 | 636 | 599 | 533 | 495 | 483 | 477 | 462 |
| JJIS | 706 | 689 | 654 | 630 | 614 | 586 | 531 | 488 |
| WJMS | 762 | 702 | 700 | 700 | 667 | 626 | 599 | 605 |
| BA | 1004 | 993 | 982 | 937 | 900 | 891 | 854 | 817 |
| PK | 72 | 76 | 68 | 52 | 51 | 58 | 56 | |
| CES | 77 | 71 | 67 | 76 | 94 | 86 | 73 | |
| JJIS | 92 | 90 | 88 | 84 | 76 | 69 | 84 | |
| WJMS | 95 | 99 | 101 | 108 | 111 | 114 | 115 | |
| BA | 27 | 32 | 22 | 26 | 28 | 35 | 42 | |
| SE TOTAL | 363 | 368 | 346 | 346 | 360 | 362 | 370 | |
| Grant Funded | 654 | | | | | | | |
| TOTAL | 3183 | 3081 | 3015 | 2876 | 2735 | 2646 | 2553 | 2465 |

0.66% -3.84% -2.14% -4.61% -4.90% -3.25% -3.51% -3.45%

| | | | | | | | | |
|------------------------------|--|--|-----------|------------|------------|------------|------------|--|
| Special Ed - Public | | | | | 17 | 20 | 30 | |
| Special Ed - Private | | | | | 25 | 22 | 19 | |
| Special Ed - State Placement | | | | | 0 | 2 | 3 | |
| TOTAL OOD Special Ed | | | | | 42 | 44 | 52 | |
| Magnet School | | | 35 | 55 | 90 | 101 | 112 | |
| VOAG | | | 10 | 13 | 11 | 11 | 16 | |
| VoTech | | | 52 | 49 | 43 | 48 | 43 | |
| TOTAL | | | 97 | 117 | 186 | 204 | 223 | |

OOD and Special Ed as a % of enrollment 11.33% 11.94% 14.24% 15.47% 18.69% 19.86% 21.36%

For Tuition Paid to Other Towns

| | Unexpended BOE | % of the Budget | Equivalent Dollars Median Colchester Household Income | Equivalent Money Left at the End of the Month On a Family Monthly Budget Of: | | | | | |
|-----------|-------------------|-----------------|---|---|-------|-------|-------|-------|--------|
| | | | | 1500 | 2000 | 3000 | 4000 | 5000 | 7438 * |
| 2010-2011 | 30,013 | 0.09% | 79 | 1.32 | 1.76 | 2.64 | 3.53 | 4.41 | 6.56 |
| 2011-2012 | 56,602 | 0.15% | 137 | 2.31 | 3.07 | 4.61 | 6.15 | 7.69 | 11.43 |
| 2012-2013 | 41,580 | 0.11% | 99 | 1.66 | 2.22 | 3.32 | 4.43 | 5.54 | 8.24 |
| 2013-2014 | 203,792 | 0.52% | 465 | 7.82 | 10.43 | 15.65 | 20.86 | 26.08 | 38.79 |
| 2014-2015 | 111,665 | 0.28% | 251 | 4.22 | 5.63 | 8.45 | 11.26 | 14.08 | 20.94 |

Total 443,652

* Colchester Family Median AT Income

| | Current Residential Assessment per Household | | Mill Rate | | | Tax on Average Residential Assessment | |
|----------------|--|------------------------------|-----------------------|------------------------------|-------------------------|---------------------------------------|------------------------------|
| | 70% of Assessed Market Value on Last Revaluation | Rank ² Peer Group | 2015/2016 Fiscal Year | Rank ² Peer Group | State Rank ³ | Amount Per Household | Rank ² Peer Group |
| Colchester | 152,451 | 8 | 30.76 | 4 | 69 | 4,689 | 9 |
| Cromwell | 155,617 | | 31.38 | | | 4,883 | |
| East Hampton | 188,564 | | 27.78 | | | 5,238 | |
| Ellington | 157,831 | | 30.50 | | | 4,814 | |
| Ledyard | 155,528 | | 30.40 | | | 4,728 | |
| North Branford | 174,039 | | 31.08 | | | 5,409 | |
| Seymour | 148,749 | | 34.59 | | | 5,145 | |
| Suffield | 216,113 | | 27.78 | | | 6,004 | |
| Wolcott | 167,693 | | 28.08 | | | 4,709 | |
| | | | | | State Rank ³ | | |
| Salisbury | 526,573 | | 10.70 | | 190 | 5,634 | |
| Greenwich | 1,106,549 | | 11.271 | | 189 | 12,472 | |
| Hartford | 16,199 | | 74.29 | | 1 | 1,203 | |
| Waterbury | 49,836 | | 58.22 | | 2 | 2,901 | |

1. Connecticut 2013 Income by Towns - Data source: 2009-2013 American Community Survey (ACS) 5-year Estimates - Compiled by DECD Research
2013 Equalized Grand List - (State of Connecticut Office of Policy Management) http://www.ct.gov/opm/cwp/view.asp?a=2987&q=385970&opmNav_GID=1807

2. Peer Group Rank - 1 (highest) - 9 (lowest)

3. State Rank - 1 (highest) - 190 (lowest)

Many people use the mill rate to determine whether a Town's taxes are higher than another's. Mill Rates, by themselves do not illustrate the differences in taxes paid. The mill rate is multiplied by a home's assessment (70% of the market value on the last revaluation date) and then divided by 1000 to arrive at the tax. (Colchester Avg. Home: $152,451 \times 30.76 / 1000$)

The chart above shows the mill rates in our peer towns as well as the two towns with the lowest mill rates in CT and the two towns with the highest mill rates. Salisbury and Greenwich have the lowest mill rates, but because their homes are assessed at much higher amounts than most towns, the lowest mill rate does not translate into the lowest tax. Conversely, Waterbury and Hartford with their high mill rates do not have the highest taxes. Although many things need to be considered, such as level of services, quality of education, etc, the major contributor to low tax to mill rate ratio in Hartford and Waterbury are their high nonresidential grand lists. Hartford at 79% and Waterbury at 49%, compared to Colchester at 26%.

Among our Peer Towns, there are 5 towns with lower 2015/2016 mill rates than Colchester, but when multiplied by the average assessed value (on the last revaluation date), Colchester has the lowest tax on the average household. As many things go into assessments and mil rate calculations, this comparison is intended to illustrate how mill rates relate to home values in different towns. With all other things being equal, if our market values were twice as high, the mill rate would be $\frac{1}{2}$ of 30.76 and the taxes paid the same. Conversely if the market values go down through revaluation, the mill rate would be higher than 30.76, but if expenses, state aid and other nontax revenue remained the same, the taxes would not change.

1. Connecticut 2013 Income by Towns - Data source: 2009-2013 American Community Survey (ACS) 5-year Estimates - Compiled by DECD Research
2013 Equalized Grand List - (State of Connecticut Office of Policy Management) http://www.ct.gov/opm/cwp/view.asp?a=2987&q=385970&opmNav_GID=1807

UNASSIGNED FUND BALANCE POLICY AND HISTORY

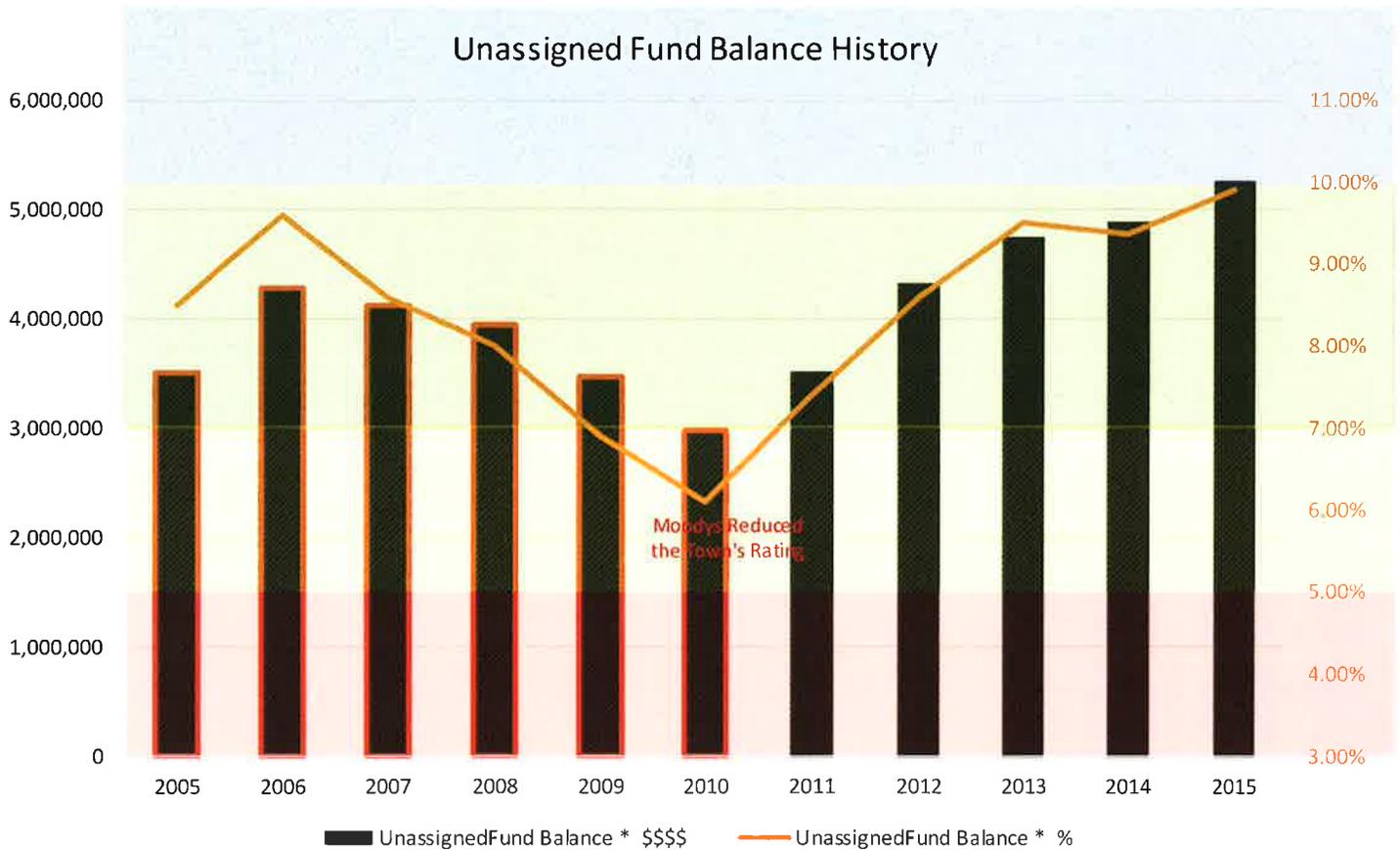
The Town's Unassigned Fund Balance Policy was created by Board of Finance in 2010, and amended in 2012.

The Unassigned Fund Balance is our rainy day fund/emergency fund/opportunity fund. It is also one of the key measures the rating companies use. Post 2008, the rating companies would like to see the amount above 10%, (of our operating budget) we do not want to tie that much capital up when there are so many current needs, so we have chosen to balance the % and needs by using 7 - 10% as our goal. Having a policy, and following it, is also a key measure. In the two months between the Moody's and Fitch reviews (below), one major thing happened - we did not use the 2010/2011 budgeted transfer from fund balance. Lower ratings = higher interest rates paid on our bonds. Although we have used unassigned fund balance during the years for unexpected expenses last year's snow removal expense and a large legal expense, we have not used it in the proposed budgets as a revenue item.

From the Town's audit:

- In June 2011, Moody's Investors Service downgraded the Town's bond rating to Aa3 from Aa2 mainly due to consistent declines in reserve levels from 2006 to 2010 driven by the Town's practice of appropriating General Fund reserves to balance annual operating budgets (mill rate relief), and revenue shortfalls in those years. Moody's went on to note that the FY 2011-2012 adopted budget did not include a fund balance appropriation which will help prevent any further decline in reserves and stabilize the Town's financial position.
- In August 2011, Fitch Ratings affirmed the Town's bond rating of AA. Fitch noted that Town finances are stabilizing after four years of planned draws on General Fund funds balance, and that the Town has a below average debt burden with a rapid payout, and a strong tax collection rate. Fitch also noted the recently approved fund balance policy which sets forth that reserve levels will be maintained within a range of 7-10% of total expenditures.

Many use the terms General Fund and Unassigned Fund Balance synonymously, but General Fund includes other accounts such as Assigned Fund Balances (earmarked for future anticipated expense) or Restricted Fund Balances (which can only be used for specific expenses).



| FY Ending: | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Unassigned Fund Balance * \$\$\$ | 3,507,795 | 4,283,472 | 4,129,805 | 3,950,819 | 3,470,913 | 2,974,475 | 3,518,813 | 4,334,548 | 4,758,733 | 4,888,372 | 5,255,366 |
| Balance * % | 8.50% | 9.60% | 8.60% | 8.00% | 6.90% | 6.10% | 7.40% | 8.60% | 9.50% | 9.37% | 9.92% |

* Prior to 2011 this was referred to as Unreserved/Undesignated Fund Balance

Existence of Fund Balance Policy