



# Town of Colchester, Connecticut

127 Norwich Avenue, Colchester, Connecticut 06415

**Board of Finance  
Meeting Minutes  
January 3, 2018  
Town Hall Room 1 @ 7:00 pm**

**Members Present:** R. Tarlov (via phone), R. Lepore, A. Migliaccio, M. Egan, and A. Bisbikos

**Members Absent:** T. Kane

**Others Present:** First Selectman A. Shilosky, CFO M. Cosgrove, Town Clerk G. Furman, Tax Collector M. Wyatt, BOS R. Coyle, D. Mizla, J. Ford, S. Soby, BOE B. Bernier, M. Hayes and Clerk J. Campbell

1. **CALL TO ORDER** – Meeting was called to order at 7:00 pm by R. Lepore.
2. **ADDITIONS TO THE AGENDA** - None
3. **APPROVAL OF MINUTES: December 6 Regular Meeting**

A. Bisbikos MOTIONED to approve the December 6<sup>th</sup> Regular Meeting Minutes, SECONDED by A. Migliaccio. R. Lepore asked that the quote of response time be removed from the minutes. She is the one who said it, and was not concrete. A. Migliaccio MOTIONED to approve the minutes with the changes, SECONDED by M. Egan. All members present voted in favor. MOTION CARRIED. 6/0
4. **CITIZENS COMMENTS** - None
5. **CORRESPONDENCE** – None
6. **DEPARTMENT REPORTS** – 2<sup>nd</sup> meeting of the Month
  - a. **Tax Collector**
  - b. **Finance** – M. Cosgrove has the final audit reports and will disperse them to the board.
7. **FIRST SELECTMAN**
  - a. **Transfer requests** - None
  - b. **First Selectman's report**
    - i. **2017-2018 budget updates** – A. Shilosky handed out a 1<sup>st</sup> draft of where the adjustments may come from to make up the state revenue reductions. Nothing that has too much of a variable was considered at this moment. A. Migliaccio asked at what point a final draft might be presented. A. Shilosky stated that closer to deadline in June a final draft would be presented. A better understanding of what money will actually be available. With each passing payroll that our vacancies that have not been hired, the money will increase, and more could be used to offset the ECS reduction. Tax numbers may be skewed because a large amount of people have paid their January installment in December, this too might help offset the reduction. A. Bisbikos stated this might not be a worst case scenario as the State still had shortfalls to make up that could be passed on to the towns with addition revenue cuts. R Tarlov asked why the Mashantucket/Pequot revenue was not included. A. Shilosky replied that they only counted money actually received. R. Tarlov expressed concern that only 2/3 of the revenue reduction had been covered leaving a 517,000 shortfall. A. Shilosky guaranteed that we would not finish the year with a shortfall and M Cosgrove explained this was a worst case scenario and there were other items not on the list as they only listed things they knew were solid. R Tarlov said he was not comfortable with this approach of not knowing where other reductions would be needed to offset the shortfall, and that we shouldn't be waiting to June to see what action would be needed. R Lepore asked M Cosgrove if she had a list of potential items that could offset the shortfall. M Cosgrove said she did. Maggie agreed to

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update the BOF once a month with the latest information. R Lepore asked that Maggie also include an updated list be brought to the February meeting that include updated revenue assumptions, projections of the savings from expenditures that are likely to come in under budget as well as a plan for other potential reductions to make up any budget shortfalls.

**ii. Other** - 6 positions are still vacant within the Town Hall. Public Works, mid-January 2 of 3 will be hired. 3<sup>rd</sup> will be hired in spring. Recreation position will be interviewed for on the 9<sup>th</sup> of this month. Asst. Tax Collector will be interviewed mid-January. YSS position was posted today. Obligation note meeting on the 10<sup>th</sup> for \$20,850,000 for WJJMS project.

**8. 2018 - 2019 Budget**

**a. Schedule** – R. Tarlov presented the two attached budget schedules. B. Bernier suggested the later of the two schedules due to the fact that BOE has new members. R. Lepore stated that T Kane had suggested moving the 4<sup>th</sup> and 5<sup>th</sup> of April suggested dates to the following week of the 9<sup>th</sup> and 10<sup>th</sup>. All members were in agreement with the later schedule.

**b. Survey Dates** – R. Lepore stated that the questions have been finalized. The survey has been entered into survey monkey and is set to be live on Friday 1/5/2018 and will continue until 4am on 1/22/2018.

**9. NEW BUSINESS** - none

**10. OLD BUSINESS**

**a. Bylaws** – No changes have been suggested at this point.

**11. LIAISONS' REPORTS** – M. Egan reported on the COA. Renter's rebates issues have been resolved at the state level. The Medicare cuts at the state level will impact Colchester Seniors. Their annual report was due 12/31 and the Gala is still scheduled for 2018. The Gala committee is questioning if they can use Senior Center publication monies for the publication of the Gala. A. Migliaccio reported on the Police Commission. Last meeting was in November and was only 6 minutes long. There is really no content in the meetings. A. Migliaccio reported that the Commission will be disbanded at some point in the future. A. Migliaccio asked the other board members if they would be interested in receiving a report as to the status of the Police Department. A. Shilosky has suggested that she email him any questions the board may have and he will ask Sgt. Martinez to compile a report. A. Migliaccio also reported on the BOE Budget Committee. Tomorrow's meeting has been reschedule until Monday due to the impending storm. A. Migliaccio also suggested that board members email her any questions they may have and she will try to get answers from the Board on Monday. B. Bernier asked that he receive an email of questions so that he may prepare the answers for her. R. Lepore stated that the Paramedic committee is still ongoing. The hope is to share the report at the beginning of February.

**12. CITIZENS COMMENTS** – none

**13. ADJOURNMENT** – A. Migliaccio MOTIONED to adjourn the meeting at 7:45 pm, SECONDED by M. Egan. All members present voted in favor. MOTION CARRIED. 6/0

Respectfully Submitted,

*Joanie Campbell*, Clerk

**Attachments:**

Moody's Final Report

Budget Calendar

Draft-State Budget Impact

DRAFT - FOR DISCUSSION PURPOSES ONLY

*A. Shilosky*

Town of Colchester			
State Budget Impact			
	Revenue	Expenditure	Net
	Adjustments	Adjustments	Adjustments
ECS Reduction	(1,777,746)		(1,777,746)
Municipal Stabilization Grant (not included in adopted budget)	207,276		207,276
CIRMA Equity Distribution (not included in adopted budget)	44,723		44,723
BOE Expenditure Reductions		(825,000)	825,000
Town Expenditure Reductions:			
Position Vacancies		(109,106)	109,106
Boards & Commissions - OpenGov software		(15,100)	15,100
Police - Replace office chairs		(1,500)	1,500
Police - replace body armor (purchased in prior years)		(3,600)	3,600
Police - replace tasers (purchased in prior years)		(7,000)	7,000
Fleet - replace wash bay propane heater (lower cost funded through Equip Reserve)		(7,500)	7,500
Facilities - Supplies to paint offices in Town Hall		(1,000)	1,000
Senior Services - TVCCA Senior Nutrition Program		(958)	958
Capital (cost savings):			
Fire - Thermal Imaging cameras		(2,500)	2,500
Parks & Grounds - resurface tennis courts (require match from Program Fund)		(5,500)	5,500
Fire - Service 128 & 328 replacements (Service 328 plan revised to refurbish Ambulance)		(25,000)	25,000
Town Hall - repair sidewalks		(5,000)	5,000
<b>Total</b>	<b>(1,525,747)</b>	<b>(1,008,764)</b>	<b>(516,983)</b>

*4:45 pm 1/3 1st Draft.*

# 2018 BUDGET SCHEDULE

## JANUARY

- 5 Friday Budget Survey Opens
- 22 Monday Budget Survey Closes at 4am

## FEBRUARY

- 13 Tuesday Schools' Budget Presented to Board of Education - 7:00 Bacon

## APRIL

- 3 Tuesday Budget Public Hearing to Present BOE and Town Budgets
- 4 Wednesday Board of Finance (Regular Meeting)
- 9 Monday Board of Finance Budget Workshop: Review Education Budget with Board of Ed
- 10 Tuesday Board of Finance Budget Workshop: Review Town Budget with 1st Selectman
- 11 Wednesday Board of Finance Budget Workshop - if needed
- 12 Thursday Board of Finance Budget Workshop - if needed - (regular BOS Meeting this night)
- 16 Monday Board of Finance Budget Workshop - if needed
- 17 Tuesday Board of Finance Budget Workshop - if needed
- 18 Wednesday Board of Finance (Regular Meeting) - send budget to public hearing

## MAY

- 1 Tuesday Budget Public Hearing to Present BOE and Town Budgets
- 2 Wednesday Board of Finance (Regular Meeting) send Budget to Town Meeting)
- 3 Thursday Board of Selectmen (Regular Meeting to set Town Meeting Date)
- 15 Tuesday Annual Town Budget Meeting
- 22 Tuesday Budget Referendum
- 23 Wednesday Board of Finance - Special Meeting - if needed

All meetings are scheduled for 7:00 pm at Town Hall except where noted

*1-3-2018  
Meeting  
Minutes*

**CREDIT OPINION**

15 December 2017

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## Colchester (Town of) CT

### Update to credit analysis

**Summary**

Colchester (Aa3) has a moderately-sized, primarily residential tax base in east-central Connecticut. The town had a \$59 million revenue budget in fiscal 2017 and has a recent history of surplus operations, reflecting conservative fiscal management. The town has low debt and pension burdens and very affordable fixed costs, but is exposed to fiscal stress at the state level because of its above-average reliance on state funding.

On December 15, Moody's confirmed the town's general obligation rating at Aa3. That action concluded the review for possible downgrade initiated on October, 16, 2017. The review was prompted by the State of Connecticut's (A1 stable) then ongoing budget impasse and the significant cuts in state funding to the town of Colchester in the executive order, which governed spending during the impasse. The rating confirmation reflected the town's stable financial operations, wealth, and financial flexibility, as well as its above average mill rate and elevated exposure to state funding.

**Credit strengths**

- » History of balanced financial operations
- » Recent growth in fund balance and liquidity
- » Minimal fixed costs
- » Demonstrated willingness to increase taxes

**Credit challenges**

- » State funding represents 33% of annual revenues
- » Already lean operating profile
- » Above average mill rate

**Rating outlook**

Moody's does not typically assign outlooks to local government credits with this amount of debt outstanding.

**Factors that could lead to an upgrade**

- » Continued growth in fund balance
- » Expansion of tax base

## Factors that could lead to a downgrade

- » Depletion of fund balance
- » Contraction of the tax base
- » Further cuts to state funding not offset by local revenues

## Key indicators

Exhibit 1

Colchester (Town of) CT	2012	2013	2014	2015	2016
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$1,768,925	\$1,681,199	\$1,713,187	\$1,683,452	\$1,686,096
Population	16,044	16,119	16,143	16,130	16,130
Full Value Per Capita	\$110,255	\$104,299	\$106,126	\$104,368	\$104,532
Median Family Income (% of US Median)	159.6%	162.5%	164.7%	164.7%	164.7%
<b>Finances</b>					
Operating Revenue (\$000)	\$54,642	\$55,054	\$57,443	\$58,053	\$58,880
Fund Balance (\$000)	\$4,595	\$5,555	\$5,351	\$5,785	\$6,796
Cash Balance (\$000)	\$4,754	\$6,045	\$5,640	\$6,386	\$8,618
Fund Balance as a % of Revenues	8.4%	10.1%	9.3%	10.0%	11.5%
Cash Balance as a % of Revenues	8.7%	11.0%	9.8%	11.0%	14.6%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$15,905	\$17,646	\$16,279	\$14,448	\$12,628
3-Year Average of Moody's ANPL (\$000)	\$371	\$523	\$677	\$1,181	\$1,841
Net Direct Debt / Operating Revenues (x)	0.3x	0.3x	0.3x	0.2x	0.2x
Net Direct Debt / Full Value (%)	0.9%	1.0%	1.0%	0.9%	0.7%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	0.0x	0.0x	0.0x	0.0x	0.0x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.0%	0.0%	0.0%	0.1%	0.1%

As of June 30 fiscal year-end

Source: Moody's Investor's Service; Town's Annual Financial Statements

## Profile

The Town of Colchester is in east-central Connecticut, at the intersection of Connecticut's Route 2 and Route 11. The population is approximately 16,143.

## Detailed credit considerations

### Economy and tax base: stable tax base with above average wealth

Colchester's moderate \$1.7 billion, primarily residential tax base should remain stable in the near term, as management reports expansion among two of the town's major employers and small pockets of residential development. Including the results of a revaluation in fiscal 2016, the town's overall grand list has contracted 3.6% since 2010, a relatively modest decline compared to many Connecticut towns.

The town has raised its mill rate and levy in anticipation of the revaluation and to accommodate state funding uncertainty. Though the equalized mill rate is slightly above the median of Connecticut towns, Colchester believes it has further room to raise mill rates if necessary, as evidenced by recent voter authorization for new debt issuance.

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Colchester's tax base is supplemented by a strong median family income, which is 164.7% of the national median, a stable population, and a low unemployment rate of 3.2%. A combined 450 residents are employed by three midsize manufacturers within the town, and two, Incord and Alpha Q, are expanding operations in Colchester.

**Financial operations and reserves: healthy financial position supported by conservative budgeting**

Colchester's healthy and improved financial position is likely to remain stable in the near term based on the town's credible plan for addressing reductions in state funding and conservative budgeting practices, which have yielded three years of surplus operations.

Colchester is exposed to fiscal instability on the state level through its annual intergovernmental funding, which made up an above average 33% of 2016 revenues. Including November cuts, the state reduced Colchester's state funding allocation by \$1.7 million (11.8%) in fiscal 2018, largely through a reduction in the Education Cost Sharing payment.

During the state budget impasse, the town achieved cost savings by instituting a budget freeze, leaving town and Board of Education positions unfilled, and holding its motor vehicle tax until a higher mill rate had been approved by the state legislature. The fiscal 2018 Board of Education budget has been modified to absorb approximately half the reduction in state funding. The town expects positive revenue variances and the application of approximately 3% of the available operating fund balance to fill the remaining gap. Reserves will not dip below 2016 levels because of the town's fiscal 2017 surplus.

Colchester's financial operations have generally been balanced, and the town has used surpluses to add to fund balance in recent years. Available operating fund balance at the end of fiscal 2016 was 11.5%, in line with rating category medians. The town has achieved favorable expenditure variances through cuts to its Board of Education budget. While the town may be challenged to increase savings in its already lean operating profile, the town expects recurring revenue enhancements through higher conveyance taxes and building permit fees, as well as improved collection of delinquent taxes.

**LIQUIDITY**

Cash and investments at the end of fiscal 2016 totaled \$8.6 million, or an average 14.6% of operating revenues.

**Debt and pensions: minimal fixed costs due to low debt and pension burdens**

The town's below average debt burden and affordable fixed cost profile will remain stable in the near future, as the town has no major debt plans and very few employees covered by its small pension and OPEB plans.

The town had \$12.6 million in debt outstanding at the end of fiscal 2016 and increased its debt load through a \$9.5 million school construction BAN issuance after the end of the 2016 fiscal year. The town expects to roll this BAN over the next few years to maintain flexibility, as the project is coming in under budget.

**DEBT STRUCTURE**

The entire debt portfolio is fixed rate and amortization is rapid, with 98.3% of principal to be retired within ten years. Debt service in fiscal 2016 represented a below average 3.9% of operating expenditures.

**DEBT-RELATED DERIVATIVES**

The town is not party to any interest rate swaps or other derivative agreements.

**PENSIONS AND OPEB**

The town's minimal pension and OPEB obligations provide budget flexibility. The town has only one defined benefit plan, the Town of Colchester Police Department Retirement Plan, which is a now-closed single-employer plan covering 9 participants. In fiscal 2016, the town made \$105,755 in pension contributions to the plan and the three year average Moody's adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is a very modest \$2.8 million. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities.

For teachers, the town participates in the State of Connecticut Teachers Retirement System. Employer contributions to the TRS are covered by on-behalf payments made by the state, which totaled \$4.5 million in fiscal 2017. The town's share of the TRS ANPL as of fiscal 2016 was \$53.1 million, representing 3.1% of full value.

The town funds OPEB on a pay-as-you-go basis through the budget, which cost \$213,180 in fiscal 2016, representing 36% of the town's ARC. The total unfunded liability is \$2.3 million as of July 1, 2013, the date of the most recent actuarial valuation.

Total fixed costs in 2016 including debt service, retirement contributions and retiree healthcare payments were \$2.6 million or a very low 4.4% of operating expenditures.

**Management and governance: Cost-controls implemented by forward-looking management**

Town fiscal management is strong, as evidenced by recent surpluses, expenditure controls, and a credible plan for addressing reductions in state funding.

Connecticut towns and cities have an Institutional Framework score of Aa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Connecticut towns' major revenue source, property taxes, is not subject to any caps. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. Connecticut has public sector unions and additional constraints, which limit the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.



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