

Finance Committee Minutes
June 1, 2021
Town Hall Conf. Room B and via ZOOM

1. The meeting was called to order at 7:00 PM.

Present: Matthew O'Brien, Sr., Richard Williams, Lisa Thomas, Julie Blanchard

Also present: John Elsesser, Town Manager; Amanda Backhaus, Finance Director

2. **Acceptance of Minutes - May 10, 2021:**

Richard Williams moved to accept the minutes of May 10, 2021, seconded by Lisa Thomas. The following corrections were requested:

- Page 3, second paragraph, second line from bottom: change "savers" to "saves." Third line from bottom: change "time of" to "time on."
- Page 1, item 2, first paragraph, 5th line up from bottom: change "it was unplayable" to "it was declared unplayable."
- Page 2, second paragraph, 5th line up from bottom: change "not even to hit" to "not even able to hit."
- Page 3, third paragraph, 6th line: change "opening" to "open." Next line: change "current location" to "current bathrooms."
- Page 4, second paragraph, second line: change "snow" to "smell."
- Page 4, third paragraph, first line up from bottom: change "go down there" to "go down to both fields."
- Page 5, second paragraph, first line from bottom: change "\$250-\$500 a week" to "\$250-\$500 a season."
- Page 6, third paragraph, 6th line from bottom: change "ironic if" to "ironic it."
- Page 8, first bullet, 3rd line from bottom: change "maybe something" to "maybe a letter."
- Page 10, second paragraph, 5th line: change "expects it to" to "expects to."

The motion to accept the minutes as corrected carried on unanimous vote.

3. **Discussion: Preliminary FY2021 Budget Results:**

Amanda Backhaus indicated that she prepared the report for tonight's meeting using the Board of Education numbers from their most recent report, which was through the end of April. She used the Town's actual expenditures to date, and estimated what we will spend on salaries and some year-end purchasing. For revenues, she did year-to-date and a five-year average of collections through the end of the year to get her estimated number. Right now we are looking at instead of using \$390,100 out of our fund balance, we will actually be adding \$223,000 to our fund balance. She also believes we can fund \$25,000 out of ARP funds in fiscal year 21, and return the Board of Education COVID money, which brings us up to \$349,316 given back to the general fund. We had a stronger year than we had anticipated with tax collections, building department revenue, and town clerk revenue. FEMA and CRF money also came in, which is another \$69,000. We also await a notification letter for additional FEMA money. Taking into account that we are planning to use an additional \$200,000 for fiscal year 22, we are looking to increase fund balance by \$149,000.

4. **Discussion/Possible Action: Recommendation for Assignment of American Rescue Plan: Funding:**

Amanda Backhaus reviewed a document that outlines the four categories of eligible spending under the American Rescue Plan:

- A. Mitigating COVID and negative economic impacts
- B. Premium pay
- C. Revenue recovery
- D. Investments in water, sewer, and broadband

John and Amanda have been attending conferences for guidance from the Treasury Department about the use of these funds but we do not yet have final information. The Treasury Department is accepting comments on the published draft until July 9th, so final guidance will come after that date.

Amanda noted that the Loss of Revenue category is the most flexible in terms of spending. It can be used on any service or aid to your citizens. The problem is that they've outlined a very rigid requirement for how you can calculate your revenue, and it has to be looked at entity-wide. There are two revenue loss calculations in tonight's materials. The first is following their formula very strictly, showing a revenue loss of \$335,000. She has a problem with that calculation. For example, we got \$900,000 in grant money for Folly Lane Bridge. That's not an operating grant. If we had not received that grant, we wouldn't have been spending money on the bridge, so she sees no reason why that should be included in our revenue calculation. GFOA has been working on this issue and tells us we don't have to include federal transfers, but they say nothing about money coming from the State. The second calculation takes out all capital grants, which brings the revenue loss to over \$1 million, which is what she thinks is our true revenue loss. At this time we won't have a final number for Category C until July. For tonight, we need to decide those things we predicated our budget on, and authorize those monies at the next Council meeting. These items include one year of police officer salary, Town Hall ambassador salary, ambulance fund, cybersecurity expenses, recreation, and WPCA capital expenses. The rest of the list can wait until a later date. The money must be appropriated by December of 2024, but can be spent through December of 2026. We should have a clearer picture in July. Additional ideas are welcome - Council members are encouraged to share their priorities with John and Amanda.

Lisa Thomas made a motion to recommend that the Town Council appropriate the ARP funding as highlighted in categories A, C, and D in the documents distributed with the agenda, in the amount of \$863,027.31. Richard Williams seconded the motion, which carried on unanimous vote.

5. Discussion/Possible Action: Recommendation For Use Of Council 1½% Fund:

Amanda reviewed the documentation for use of the Council 1½% fund prior to June 30, 2021. Items include the STEAP grant match for the football field in the amount of \$75,000 - removing that expenditure from the COVRRRA line item. Matthew noted a COVRRRA user fee increase is probably going to be necessary, and this allocation could help offset the amount of the increase. Other items include the CHS Walls repair project for \$95,000, and South Street preliminary engineering for \$99,000, for a total of \$269,000.

Lisa Thomas made a motion to recommend that the Town Council appropriate up to \$75,000 for the STEAP grant match, up to \$95,000 for CHS walls repair, and up to \$99,000 for South Street preliminary engineering from the Council's 1½% Fund. Richard Williams seconded the motion, which carried on unanimous vote.

6. Discussion/Possible Action: Recommendations for FY 2021/22 Budget:

A. Recommendation for FY 21/22 Mil Rate:

Amanda indicated that she has revised the document that were attached to the agenda, which showed a .17 increase. Since the Town Council completed our budget deliberations and our recommended budget was approved at referendum, it is anticipated that the State will reduce our educational grant (ECS) by about \$170,000. At the time we passed our budget, the Council relied on the Governor's proposed budget which did not include the reduction in our ECS grant.

Richard Williams made a motion that the Finance Committee recommend that the Town Council set the mil rate at 31.32 mils for an increase of .15 mils. The motion was seconded by Lisa Thomas. Matthew said if we get additional information between now and then, we may want to reconsider this motion. The motion as proposed carried on unanimous vote.

B. Discussion/Recommendation for COVRRR Rates for FY 21/22:

The Committee discussed the rising costs that Connecticut towns have experienced in the recycling market recently. Combined with that and increased volume during the pandemic with more people working from home, we saw a large decrease in the current year's COVRRR fund balance. Removing \$75,000 from COVRRR expenditures for the Town's part of the STEAP grant project at the landfill/football field will help stabilize the fund, but the Committee agreed that we will still have to increase our rates to keep the fund solvent.

Richard Williams moved to recommend that the Town Council increase the FY 21/22 COVRRR rate by \$10 per household. Lisa Thomas seconded the motion, which carried on unanimous vote.

7. Board Of Education Fiscal Reports, April 2021 and Response to our Questions:

The Committee discussed the response to the questions that had been asked of the Board of Education regarding their fiscal management report. Matthew O'Brien noted several concerns, as detailed below.

- The Board identified and reported all non-grant fund COVID expenses on their management report monthly, but did not recognize and report the COVID savings that they have been experiencing each month in their monthly reports. This is not transparent and could mislead anyone who reads this report into believing that they are experiencing a much larger drain on their budget due to COVID expenses than they actually are. A much more appropriate number would be the net COVID related expenditures. Matthew stated that he believes this was done intentionally by the Board and is wrong.
- Matthew pointed out that the Board of Education had spent 74.12% or \$20,821,381 of their approved FY 20/21 budget of \$27,866,548 compared to last year when they had spent 76.13% of their budget. The Board reported that they had over \$434,000 of unbudgeted COVID expenses as of their April report. One would expect that these expenses would put a great deal of pressure on the Board's budget. The difference in percentage spent as of that date was 1.41%, which means that the Board has actually spent about \$400,000 less of their budget this year than last year, while at the same time covering almost \$400,000 of unbudgeted COVID expenses. So there was \$7,045,167 of their \$27,866,548 budget and there are only 5 or 5½ weeks of school remaining. A portion of that goes to pay salaries during the summer (or a lump sum at the end of the school year) but they have spent \$400,000 less than last year and are still projecting a deficit. We have asked questions about the Board's Estimated to EOY figures and how they determine them. Many are in large excess over the amount of Account YTD payments and encumbrances in their accounts. Matthew said he is disappointed in the response from the Board and is of the belief that the Board will in fact have a strong surplus by year's end.
- We had asked questions about the use of CRF grant funds to offset unbudgeted COVID expenses. The Board's responses were not specific and were inadequate. When asked to detail the expenses that were paid by the \$53,211 CRF grant that the Board received directly from the State, the Board provided documentation for only \$24,000 of expenses with no other explanation. We asked for details of the expenses that were paid by the \$47,810 of CRF funds the town gave to the Board in December. The Board replied they paid COVID salary expenses with it. Matthew noted that these funds were recognized in December by the Board and one

would expect to see some drop in their year-end projection for that account during the same month, but instead it actually went up by over \$16,000. There were no notations in the management report to detail the use of any of these funds or the removal of these expenses.

Matthew said that he is disappointed in the lack of transparency and cooperation in the reporting that the Board is providing to the Council, who uses it to make decisions about funding. He will send some follow up questions to the Board.

8. Adjournment:

Richard Williams moved to adjourn the meeting at 8:56 PM, seconded by Matthew O'Brien. The motion carried on unanimous vote.

Respectfully submitted,

Laura Stone
Town Council Clerk