

**Town of Windsor  
Finance Committee Minutes  
Town Hall – Council Chambers  
January 9, 2012**

**APPROVED MINUTES**

**PRESENT:** Chair, Deputy Mayor Alan Simon; Councilor Donald Jepsen; Councilor Randy McKenney

**STAFF:** Peter Souza, Town Manager; Emily Moon, Assistant Town Manager; Robert Metcalf, Finance Director; James Burke, Assistant Finance Director; Linda Collins, Accountant

**GUESTS:** Scott Basset, McGladrey & Pullen; Mike Andreana, McGladrey & Pullen; Frank Williams, Business Manager for Board of Education; Randy Graff, Town Treasurer

**1. CALL TO ORDER**

The meeting was called to order at 7:01 p.m.

**2. PUBLIC COMMENT**

Mr. Bradshaw Smith, 23 Ludlow Road, stated that he had not seen a hard copy of the audit so he could not comment on that. On the abatement policy, he's against having a policy that links abatements to jobs. He's concerned that every town would require hiring only their residents. Only the companies that aren't really committed to staying in Windsor would be against the provisions that require repaying the abated tax if they leave.

**3. PRESENTATION OF FY 2011 AUDIT AND DISCUSSION OF GASB 54 FUND BALANCE POLICY**

Mr. Scott Basset of McGladrey & Pullen reviewed the FY 2011 audit's findings. The town had an unassigned (previously named undesignated and unreserved) fund balance of \$14.9 million. Pension funds recovered this year. The town contribution is 100% of the annual required contribution. The OPEB (Other Post Employment Benefits) liability increased by \$5 million. Taxes were better by \$100,000 and expenditures were less than budgeted.

Mr. Basset reviewed the single recommendation for improvement which was identified on the Board of Education's side. It pertained to the dental insurance and retiree medical insurance activity which was not recorded on the MUNIS system. It was instead recorded in a separate Quickbooks system. As a result, significant adjustments were made to the final trial balance at year-end to capture this activity. This deficiency has been corrected and the auditor's recommended method is now being utilized.

He said the audit went well and the town is in very sound financial shape.

The committee discussed the landfill liability of \$37 million. The Town Manager explained this represents using third party costs, but we anticipate that town staff will do much of the work and the true costs will be less.

Mr. Basset said the \$20 million in assets is gaining interest and is viewed well by the rating agencies as preparing for closure.

Deputy Mayor Simon asked why we had such a high annual required contribution in FY 2011. He assumed it was because of the poor performance of the markets and the loss of

investment income and that we would be required to contribute less as the investments do better. Town Manager Souza and Mr. Basset explained that was correct and that both gains and losses are smoothed by the actuaries over several years.

Mr. Frank Williams, Business Manager for the Board of Education, explained that the Board of Education is looking to implement the auditors recommendations right now.

Mr. Basset explained the Government Accounting Standards Board (GASB) 54 policy. Towns had to analyze what a Special Revenue Fund (SRF) is and that they are revenue driven and used for a specific expenditure. The Town of Windsor had to decide if all of the current SRFs meet the new definition. Those that did not qualify as SRFs now were moved into the General Fund (approximately \$1.7 million.) The remaining SRF funds were re-categorized as non-spendable, restricted, committed (done internally), assigned (by Council) and unassigned (which is similar to our current unreserved, undesignated fund balance).

Mr. Basset said that GASB recommends adopting a policy to clarify who can commit and assign funds. Mr. Robert Metcalf, Finance Director, has prepared the policy. The Town Charter still governs authorizations and procedures. Mr. Metcalf summarized the policy and the movement between funds.

Mr. Basset explained that the policy helps clarify the definition used by the town and who has the authority.

Councilor McKenney asked for some non-spendable and restricted fund examples. Mr. Bourke stated that for the 'Restricted' funds, an outside party dictates how the funds can be spent, such as a grant intended for a specific purpose. Non-Spendable funds are funds that are not in a spendable form, such as inventories, or prepaid insurance polices, or that are required to be maintained intact, such as the corpus of an endowment.

Moved by Councilor Jepsen, seconded by Councilor McKenney, that the Finance Committee recommend that the attached policy addressing GASB statement 54 be approved by the Town Council.

Motion Passed 3-0-0

#### **4. REVIEW AND DISCUSSION OF FY 2012 SECOND QUARTER FINANCIALS**

Mr. Bob Metcalf, Finance Director, said that revenue collections are at 85% versus 84% for the same time last year.

Significant changes in revenues received between the two fiscal years include the following:

- The category "General Property Tax" is at 98.2% collections this year vs. 97.7% collected for the same period last year. The current levy and prior year levy tax collections are coming in stronger for this fiscal year.
- The category "Licenses & Permits" is at 37.1% collections this year vs. 86.4% collected for the same period last year. This is due to building permit collections that are not coming in as strong as in the prior year. We are down approximately \$250,000 as compared to the prior year for the first six months of the fiscal year. We may be short in collections for this line item. We will continue to monitor and provide updates as the fiscal year progresses.
- The revenue category "Revenue From Use of Assets" is at 47.2% in the current year vs. 63.1% in the prior year. The difference between fiscal years pertains primarily to interest. We anticipate this category will also be short in collections and we will continue to monitor its progress.
- The category "State Grants In Lieu of Taxes" is at 40.0% collections this year vs. 82.2% for the same period last year. This represents a timing difference. Revenues were received for the full manufacturers' inventory in the second quarter of FY11 vs. only 25% to date for FY12.

On the expenditure side, this year's expenditures are approximately 1% less than last year.

Notable changes in expenditures between the two fiscal years include the following:

- The General Government department shows 57.4% spent for the first six months of this fiscal year vs. 64.2% spent for prior fiscal year. The increase in expenditures for FY11 over FY12 is due to items such as the Town Council efficiency and effectiveness study, an August 2010 primary under Elections, and the timing of the Community Service payments.
- The Human Services department shows 48.3% spent for the six months ended 12/31/11 vs. 40.9% expended in the prior fiscal year. This variance in expenditure level is due to filling a position in FY12 that was vacant for part of the year in FY11 in Social Services, increased fuel charges in the transportation unit and differences in timing for health insurance payments and Caring Connection charges.
- The Public Works department spent 57.2% of its FY12 budget in the first six months vs. 45.8% for FY11. The increase for FY12 is due primarily to the two storms (Irene and Alfred) during the summer and fall of 2011 for which we expect grant reimbursement.

Deputy Mayor Simon asked Mr. Metcalf to explain the difference in the Comprehensive Annual Financial Report's ending fund balance and what was shown in the 2<sup>nd</sup> Quarter report.

- 5. REVIEW AND DISCUSSION OF GREAT POND VILLAGE INTERLOCAL AGREEMENT**  
Mr. Michael Andreana, McGladrey & Pullen, was introduced by the Town Manager to help explain the interlocal agreement.

Town Manager Souza explained that the developer is estimating the cost of development to be over \$100 million for public infrastructure improvements. The interlocal agreement lays out the plan for revenue sharing to help pay for the improvements.

Town Manager Souza said that a public hearing is required by the Town Council and the Great Pond Village District.

A meeting must be held to approve the interlocal agreement. The town would dedicate 50% of the incremental taxes to a dedicated fund that would be used to pay the bond debt service payments and administrative expenses of the district, not the operating costs. The other 50% would go to the town's General Fund.

Deputy Mayor Simon asked for an explanation of Article IV. Mr. Andreana explained that the appropriation to Great Pond Village has to be documented in the annual town budget. This will help put the bond financiers at ease that the debt service payment is planned.

The committee discussed how past due tax collections would be handled. Mr. Metcalf explained the town is only required to set aside 50% of what is collected and that it appeared 50% of tax penalties would also be set aside in the Special District Fund.

Deputy Mayor Simon asked about refinancing bonds. Town Manager Souza said he is authorized to refinance bonds if debt service savings of at least 3% is estimated.

Deputy Mayor Simon asked that the Town Council be provided project activity reports.

Councilor McKenney asked what rules the distributor might have to use to select and hire employees. Mr. Basset said it would be up to the district to decide its hiring policies, as it is a separate entity from the town.

Councilor Jepsen asked if there's not enough money to cover the debt service, it sounds like the district can tax its residents to raise that money. Mr. Basset said a specific assessment would be applied to each property or beneficiary of the improvements. These assessments can be forgiven in any year if that extra revenue is not needed.

Town Manager Souza said that he would like to walk the committee through a few examples of how the tax revenue sharing might work for a five year period. He said he'd also have the Bond Counsel and Town Attorney review the agreement once again.

- 6. DISCUSSION OF TAX ABATEMENT POLICY AMENDMENTS**  
The committee is continuing their discussions on this item tonight.

At its meeting on December 28, the Finance Committee raised a number of issues for further research. These included: 1) the consequences for businesses if they do not stay for three years after the abatement period, and 2) the possibility of expanding potential abatement amounts to give the town more flexibility by either adding or narrowing the bands for minimum capital investment.

Mr. Jim Burke, Economic Development Director, said that after reviewing the committee's remarks, the past agreements and the proposed range of the alternate schedule for abatements, staff feels the current proposed policy provides good flexibility to match a prospective company's needs and the town's fiscal objectives.

Deputy Mayor Simon said he was supportive of having some flexibility to front load some of the abatement, but wanted to add more tiers so to avoid granting an abatement for a \$28 million project that is deemed a significant financial impact but not grant it for a period of 7 years.

Councilor Jepsen said he thought it made sense to wean ourselves on to increasing revenues and the company off of the abatement as the abatement retires.

Mr. Burke explained that the variable schedule and all of the recommended changes fit within the state law.

The committee discussed the importance of stressing the abatement is based on real estate facility improvements, not personal property.

The committee discussed combining Options #2 and #3 to include exact dollar thresholds and variable annual percentage abatements.

Councilor Jepsen said that a review of the exact dollar thresholds might be needed in a few years, as the minimum investment needed each year becomes a lesser dollar amount and percentage relative to each year's Grand List.

Staff will review the proposed changes with the Economic Development Commission later this month and then bring the policy back to the Town Council or the Finance Committee.

The committee discussed whether the significant fiscal impact label is still needed. Staff said that opens the policy to land uses other than those explicitly listed for lesser investments. Staff will review this again.

## **7. STAFF REPORTS**

Town Manager Souza let the committee know that there will be many capital project action items on the Town Council's 1/17/12 agenda.

Assistant Town Manager, Emily Moon, let the committee know that staff will ask the Town Council for the Emergency Management appropriation on January 17, 2012. It will include asking for funds that were spent on food, utilities and staffing for the EOC and

shelter and may include Capital requests, if the Health & Safety Committee recommends them.

**8. APPROVAL OF MEETING MINUTES**

Moved by Councilor Jepsen, seconded by Councilor McKenney, to approve the December 28, 2011 meeting minutes as presented.

Motion Passed 3-0-0

**9. ADJOURNMENT**

Moved by Councilor McKenney, seconded by Councilor Jepsen, to adjourn at 8:43 p.m.

Motion Passed 3-0-0

Respectfully submitted,

Emily Moon  
Assistant Town Manager  
Recording Secretary