

**Minutes of the Regular Meeting of the Board of Finance (BOF)
Town Hall 1st Floor Conference Room January 9, 2023**

Members Present: Ryan Anderson, Chris Childs, Michael Haines, Eric Harrington, Dr. Ann Huntington, Brian Kost
Members Absent: None **Alternates Present:** Tom Frenaye, Mark Sinopoli, J. Michael Stevens
Alternates Absent: None.

Also Present: First Selectman Colin Moll, Finance Director Eric Remington, Treasurer Kacy Colston

Chairman Anderson called the meeting to order at 6:59pm and conducted the Pledge of Allegiance.

Citizen Comment/Correspondence: None

Approval of Minutes -Regular Meeting 12-12-2022

Mr. Harrington made a motion to accept as written. Mr. Kost seconded. All were in favor, none opposed; the motion passed 6:0

Town Engineer – Karen Isherwood

Discussion and approval to apply for Federal Local Bridge Program grant for the Russell Avenue Bridge replacement #4569 - This new State grant pays 100% of the design and construction cost vs. 80% in past grants. The Town must approve funding for 100% of the construction and the State will cover cost for the design and manage construction. The state will then reimburse the Town as funds are expended. The State would be looking to increase the width and add guard rails and we can provide input (e.g. request a bike lane). Construction would not be for another 2 years but we could start funding now over multiple years. Mr. Harrington made a motion to authorize the First Selectman to sign and submit the Federal Local Bridge Application for the reconstruction of Russell Avenue Bridge (#04569) where all construction expenses will be 100% reimbursed by the State. Mr. Haines seconded. All were in favor, none opposed; the motion passed 6:0.

Discussion and approval to apply for 2023 Local Transportation Capital Improvement Program (LOTICIP)- Applications are due Feb 22nd and the funds would cover 100% of construction with a maximum of \$4M per municipality. Ms. Isherwood submitted two applications. The first request is to apply for \$1.2M to remove/replace and extend portions of the Kent avenue sidewalk. The second is to apply for \$1.2M to repave 3.4 miles of the Canal trail that is deteriorating. Mr. Harrington made a motion to allow the Town Engineer to apply for LOTICIP funding and upon authorization, to submit all required documentation for the RFP for the projects as selected by the Board of Selectmen. Mr. Childs seconded. All were in favor; the motion passed 6:0.

Quarry Road Bridge Replacement– application of STEAP grant– The Town allocated \$1.29M in FY 21/22 and 22/23 budgets per the original estimates with the expectation that the State would fund 50% of the cost. The 2022 design consultant's estimate represents an increase of \$921,250 over original estimates from the budgeting process. A STEAP Grant application for \$500k was awarded in September to help offset the increase. Based on the \$4M limit, she will have to withdraw one application. Mr. Harrington made the motion to pursue additional appropriation of \$921,250 by Town meeting and if approved to accept the STEAP grant award to fund construction of the Quarry Road replacement bridge. Dr. Huntington seconded. All were in favor, none opposed; the motion passed 6:0.

Auditors' presentation of the FY 21-22 financial statements – Michael VanDeventer, Partner and Heather Siepmann, Supervisor, MahoneySabol

The audit is complete with all reports in draft form to be issued by the end of this week. Mr. VanDeventer reviewed the audits performed. They did not report any non compliance or significant deficiencies; they do not provide an opinion on our controls. Financial highlights: we planned to spend \$2.5M of fund balance in the budget but only utilized \$969k due to \$1.3M more than budgeted in property taxes, LOTCIP funds and other revenue with expenditures being less than budgeted. They reviewed our financial statements and the various funds, highlighting drivers behind any major increases/decreases. They noted OPEB is 71.5% funded thru year end, down from 88% in prior year with net investment losses of \$2.9M for the year.

When asked about the deficit for the Agriscience project which has been on the books for years, they said this is not uncommon. Mr. Hoff said they have finally closed out related legal issues and now need to find all the supporting invoices and documentation in the storage trailer to present a complete package for reimbursement and close out with the State

There was discussion about changing our pension plan given our liability has almost doubled despite funding it above the actuarial recommendation and the number of participants decreasing. We reduced our actuarial return assumptions which was a material change, and it was a very bad market year driving year-over-year variances. Mr. VanDeventer said our pension plan is well funded as all plans took a hit this year. Last year we were at 90% funded while other towns were only 70% funded.

Per request, MahoneySabol prepared a formal management recommendation letter which was reviewed with the Board. In response to Board questions, Mr. VanDeventer suggested an initial risk assessment should be updated when there are process changes and he can suggest ways to reduce their auditing effort/cost provided the Finance Department has the time. He can also provide templates for bank and investment policies such as paying for additional collateralization to shore up our FDIC insurance. Overall the Town is doing better than average as evidenced by our solid bond rating.

GYL Financial Synergies– Michael Lepore

Overview: 2022 was a challenging time for asset based pools. As interest rates went up our liabilities did not go down. Bond values went down. It was the first time in 30 years that there were negative returns on both stocks and bonds.

OPEB investment review – On a historical basis, the fund has outperformed the benchmark. It has under-performed recently but still has a durable excess return with an annualized return of 5.11% vs. the 4.71% benchmark. As-of today we are right on target with our allocation of equity vs. fixed. We've had some increase in valuation since the first of year so the value is back above the \$15M mark. When asked about outflows, he noted that we pay fees and we have made some benefit payments from the fund. We are about 71% funded vs. the 60% they usually see. There was discussion about needing to make the accounting cleaner, including the BOE portion, by contributing the retiree fees directly to and withdrawing their benefit payments directly from the fund.

Mr. Lepore reviewed individual fund company performance. He suggested moving away from emerging market debt and reallocating to the Mesirow investment grade bond sleeve from the high yield investments which can provide yields in the 4-5% range. Mr. Childs made a motion to move the allocation from emerging markets to the Mesirow fund. Mr. Kost seconded. All were in favor, none opposed.

Mr. Lepore noted earnings have increased since the Board directed an increase in fund duration. He believes it will probably be late 2023 or 2024 before the Fed reverses course on interest rates. They are still in transition to the new duration but will be changing the benchmark accordingly.

CNRE investment review – This fund is also heavily weighted in treasuries per statute so it had some negative returns, but as-of the end of December it earned 3.21% vs. 1% if it was just in cash. They recommend deploying the cash contribution that came in late December. Mr. Childs made a motion to rebalance according to the information provided for CNRE dated 1/9/2023. Dr. Huntington seconded. The Board discussed different options for investing/using this money for the Master Facilities plan and Chair Anderson noted the financing options can be evaluated when more plan details are known. All were in favor none opposed.

Cemetery Fund Investment review – Relatively new given recent creation. Reviewed performance with no board action taken.

Director of Finance Update – Eric Remington

FY 22-23 Review of YTD Budget vs. Actual Reports

Revenues are consistent with last quarter, no red flags on expenses. It was noted that we are locked in for electricity rates through November 2024, a benefit given upcoming rate increases. When asked about difficulty filling openings, First Selectman Moll said it has improved – they hired a Fire Marshall within a week of posting and have filled three police officer positions.

Review and discussion: Health Insurance Fund– The fund had a surplus last year driven by year over year premium increases and a favorable claims experience, though claims will likely increase as the year progresses. His estimates include making a \$500k contribution from ARPA funds. Any longstanding surplus could be transferred to OPEB or used for a “premium holiday” as part of upcoming budget development. We are also pursuing the potential of FEMA Covid reimbursement for medical claims.

Review and discussion: Gas/Diesel Fund– The fund has consistently run a deficit primarily due to price increases and ended FY22 in a net negative \$52k position. During last year’s budget process the Board decided not to increase department budgets and planned to use contingency to cover. We can do that now or toward the end of the year, but we need to reserve for it either way. No action taken at this time.

Town Treasurer Reports – Kacy Colston

We have \$25M in STIF by decreasing balances to a reasonable 6 week requirement. They have tested getting money out and have set alarms to prevent insufficient fund situations. They have closed 10 accounts since the beginning of the fiscal year, moving those balances into the General fund. The Board recognized Ms. Colston for her active participation, increase in transparency and effective money management to provide a big lift in investment income. It was noted that the WPCA should do the same and Ms. Colston offered to research if they can open a STIF account.

First Selectman Update – Colin Moll

They have hired a Fire Marshall and are looking for a Fire Chief given Chief Flynn’s recent resignation. The ARPA committee met to recommend a proposal for the use of funds in the upcoming budget year and will be coming to the BOF in February for approval.

Bonding capacity discussion and worksheet analysis (time permitting) – The Board passed on this topic to be covered in a future meeting.

Adjourn

Dr. Huntington made a motion to adjourn. Mr. Childs seconded. All were in favor, none opposed; the meeting was adjourned at 9:26 pm.

Respectfully submitted,
Kris Kelliher

These minutes are not official until accepted at a subsequent meeting