

MIDDLEFIELD BOARD OF FINANCE
405 Main Street
Middlefield, Connecticut 06455

Minutes of the May 13, 2021 Regular Meeting via Zoom

Jim Irish called the regular meeting to order at 7:09 pm.

Attendance:

Members

Others

X	Irish, Jim	X	Bailey, Ed
X	Kowal, Melissa		
A	Lowry, David		
X	Nick, Joel (arrived at 8:07 pm)		
X	Skelps, Michael		
X	Wolak, Mary (arrived at 7:15 pm)	X	Rusilowicz, Al

A=Absent

X=Present

The Pledge of Allegiance was recited.

Approval of the Agenda

Jim Irish made a motion, seconded by Michael Skelps, to approve the agenda, as presented. Motion carried unanimously.

Public Comment

None.

Approval of Minutes from 4/8/21 Regular Meeting and 4/13/21 Joint Meeting with DMIAAB and the Board of Selectmen

Mary Wolak made a motion, seconded by Melissa Kowal, to approve the minutes from the 4/8/21 regular meeting. Motion carried unanimously.

Melissa Kowal made a motion, seconded by Mary Wolak, to approve the minutes from the 4/13/21 joint meeting with DMIAAB and the Board of Selectmen. Motion carried unanimously.

Old Business

1. Finalization of FY22 budget for review at May 20th BOF Public Hearing
 - a. Discussion of taxation rate
 - b. Review of forecast FY21 surplus and effect on unallocated fund balance percent to FY22 budgeted expenses
 - c. Discussion of fund balance contribution to FY22 budget

Jim Irish explained that the public hearing will be held next week via Zoom. Al Rusilowicz had prepared a list of several items, including changes to the taxation rate and a forecast of FY21 surplus, which Mr. Irish sent out to the board members.

Al Rusilowicz began by reviewing the projected surplus at this point, using the actuals as of April 30th. The only variation was significant tax collections since April 30th on two properties, totaling an additional \$110,000. They are now projecting that tax collections will be \$605,000 over budget, at a minimum. Mr. Rusilowicz explained that the current budget used a collection rate of 97.5 percent due to the COVID situation. They collected more than the year before and significant tax revenue came in from very delinquent accounts as well. Mr. Rusilowicz does expect state revenue to be down a bit in judicial fines as well as the Senior Bus.

Charges for Services overall is about \$20,000 over budget, with Building and Land Use bringing in more fees and Town Clerk fees significantly over budget as well. Property and Equipment Sales is under budget because the proposed sale of town-owned lots will not happen. Interest income is also far less than anticipated. Total revenue for the year will come in at roughly \$536,000 over budget.

Looking at the expense side, several items will be coming in over budget, including COVID expenses totaling about \$21,000. Mr. Rusilowicz does feel that the town will be made whole for COVID-related costs. Ed Bailey asked about the \$35,000 received from the State of Connecticut and Mr. Rusilowicz noted that it was included under Miscellaneous State Revenue. The Assessor's GIS system is over budget by \$6,000. Park and Rec Lake Beseck Expenses is projected to be about \$10,000 over budget because of the checkers at the beach last summer. Fire Department Truck Operations is also projected to be about \$10,000 over budget due to additional maintenance that was needed. Fire Department Appreciation Night will not happen and Emergency Management Sundry Expenses is also substantially under budget. Mr. Rusilowicz also stated that it looks like there had been an interest adjustment on the TD Bank loan of \$1,284 and that loan has been paid in full.

In summary, Mr. Rusilowicz is projecting a surplus of \$498,000 plus another \$40,000 that he has missed in State revenue, leaving a surplus of over \$500,000. The audited fund balance at the end of last year was \$3,478,000, so the projected fund balance is roughly \$4 million. The Board of Finance used \$400,000 of the surplus in the proposed budget, leaving a projected unassigned surplus of \$3.6 million.

Al Rusilowicz then reviewed that the policy range for the fund balance is 13 to 17 percent. The Selectman's proposed budget was 18.82 percent and the Board of Finance's proposed budget was 21.65 percent. He then reviewed increasing the Tax Collection rate to 99.25 percent which would reduce the mill rate, but not the projected fund balance. Mr. Rusilowicz felt that the 99 percent collection rate is too low and that the 99.25 percent is probably too low as well. If the collection rate is changed to 99.5 percent, the mill rate would be reduced to 31.89. He added that while 99.5 may be a little high, there is plenty of surplus to absorb any shortfall. This would still leave a projected fund balance of 21.65 percent. Mr. Rusilowicz then proposed reducing the collection rate to 99.25 and using \$500,000 of the surplus which results in a mill rate of 31.74.

This provides an additional benefit to the taxpayers and uses almost all of the surplus from the current

fiscal year. This last scenario still leaves a fund balance of 21.04 percent. Mr. Rusilowicz also added that he has discussed all of the scenarios with Anne Olszewski as well and he would be in favor of the last proposal.

Al Rusilowicz did not feel that the state budget would be complete before the town meeting, so they are using the data that is available right now. He understands wanting to keep the fund balance high, but it is quite a bit beyond the policy guidelines.

Al Rusilowicz noted that the current mill rate is 32.23, so proposal #3 is roughly a half mill decrease. Proposal #1 is a .26 mill reduction and proposal #2 would be roughly .33 mill reduction from the current mill rate. The fund balance would remain at about \$3.5 million,

Michael Skelps asked who set the range for the fund balance and Jim Irish explained that the Board of Finance voted to establish that range based on recommendations they received from CCM and others. Ed Bailey added CCM had recommended that based on the state's perilous position which has improved. Mr. Irish added that they also moved that range up due to expected, significant expenditures for road repair and the Fire Department. Mr. Skelps summarized that the town has an increasing fund balance, now at 4 percent above the top of their own guidance. He felt that they need to revisit the policy range or at least get it headed back down towards its target range. Mr. Skelps felt that they should give at least \$500,000 back from the fund balance and potentially a little more and/or reviewing the policy range.

Al Rusilowicz reviewed that the policy was established before the state's budget crisis. He felt that the general feeling was to exceed the policy cap because the state may be withholding revenue more often than not going forward. Mary Wolak added that there have been unexpected windfalls that will not be repeated. Mrs. Wolak would not have a problem with proposal #3 as long as people understand that this is because of an unexpected windfall. She too believes they will receive less funding from the state.

Melissa Kowal asked Anne Olszewski about her comfort level with these proposals. Mrs. Olszewski stated that generally the mill rate will take a correction due to the reval that will be happening. She felt that she could come close to what they are proposing, but there are not a lot of prior years outstanding. She mentioned that one home will go to auction in September and two more have been sold. After that, there will not be a lot of prior year tax collection. She also added that people are still unemployed and are having problems paying their bills. She felt that a lot of people used the stimulus money to pay their taxes. She did have some old motor vehicle tax bills paid this year. Mrs. Olszewski would be most comfortable with proposal #2 and people would be happy as long as the mill rate didn't go up. She also felt that some people will be underwater with their homes, especially with revaluation. Ed Bailey added that the reval is in process and the current market values will be reflected in that. He felt that people will see 10 to 15 percent increases.

Mary Wolak summarized Mrs. Olszewski's comments in that it would be best to hold the extra \$100,000 back this year because they may have to give it back to the taxpayers next year because of the reval. Jim Irish felt that the reval will affect the mill rate, but the dollar amount of property taxes would not change. Mrs. Olszewski agreed, but asked if everyone has seen the price of lumber and what is happening to the cost of gas and groceries.

Jim Irish stated that proposal #3 would result in a projected fund balance of about \$3.5 million with expenditures at about \$16.5 million. A 17 percent fund balance on \$16.5 million is \$2.8 million, instead of \$3.5 million. That would actually leave \$700,000 available to buy down loans for the Fire Department

or the road work. A 15 percent fund balance would be \$2.5 million, or \$1 million to apply against the loans. Mr. Irish would be in favor of proposal #3 but would not want to go much higher than that.

Mr. Irish added that he had spoken with David Lowry and he was comfortable with a mill rate around 32 or just under. Michael Skelps liked proposal #3 with either 99 or 99.25 tax collection rate. Jim Irish reviewed that the tax collection rate was 97.5 last year. He showed the historical pattern has been even more aggressive at 99.5, 99.95 and 99.9.

Mary Wolak asked how much money Anne Olszewski expected after July 1st from the auction and house sales and Mrs. Olszewski felt that most people are bringing their real estate taxes current and she wasn't sure what will happen next year. She did say that she cannot justify foreclosing on someone's property for under \$10,000. Mrs. Olszewski noted that the auction in September has just over \$25,000 in taxes owed. The two pieces at the lake have no houses on them. She does have nine properties that can go to foreclosure for sewer payments. Mrs. Olszewski does feel that she can do it, but is worried if the state doesn't come through. Al Rusilowicz explained that the fund balance can help with that.

Michael Skelps would like to see a 99 percent collection rate and \$500,000 of the fund balance used on the budget though he does believe all of the proposals are reasonable. Jim Irish explained that that would mean a 31.79 mill rate, as opposed to 31.74 in proposal #3. Melissa Kowal would be comfortable with that, but added that she is not uncomfortable with proposal #3 as it is. Mary Wolak felt that 99 percent would make Anne Olszewski a little more comfortable. Al Rusilowicz also mentioned that the tax collection rate hasn't been at 99 for 10 years other than last year - it has been consistently higher. Mrs. Wolak also liked the explanation Mr. Irish gave relative to the fund balance being above 17%, and felt that the public would be able to understand that.

Joel Nick arrived at the meeting at this point and Jim Irish reviewed the discussion and brought him up to speed, noting the that mill rate would be down .45 from last year to 31.79.

Michael Skelps made a motion, seconded by Mary Wolak, to set the estimated tax collection rate at 99 percent and allocate \$500,000 of the fund balance towards the budget. Motion carried unanimously.

2. Review of proposed budget slide presentation - comments, edits, additions, deletions

Jim Irish had forwarded the proposed slides to everyone and asked for comments. He also suggested everyone email him any corrections or comments.

Mary Wolak suggested that they include the fund balance discussion at the public hearing. Michael Skelps felt that the presentation is very well-done as did Mary Wolak and Melissa Kowal.

Jim Irish asked if anyone felt that more words should be added to the presentation to explain changes from last year and asked them to email them to him.

3. Review YTD expense variance analysis vs. FY21 budget - Al Rusilowicz

Al Rusilowicz reviewed that property taxes were over-collected by \$494,000 at the end of April, with roughly \$110,000 collected after that point. On the state side, judicial fines will be down as will the Senior Bus. Other revenue represents the majority of the COVID relief money that the town received and he does feel that the town has been whole for most of its COVID-related costs.

Under Charges for Services, Land Use fees are already favorable by \$2,500 and Town Clerk's Office will also exceed the budget over the next three months. Police Department services will be under budget. Dog License fees should also be over budget by the end of the year. Beach passes were not budgeted for the current year and are at \$1,700.

Looking at Other Revenue, Middlefield Housing Authority is a bit short. Property and Equipment Sales is under budget because the town had anticipated the sale of property that is likely not to happen by June 30th.

Under Transfer from Other Funds, Summer Camp has not taken place yet. All of the other transfers happen at the end of the year. Interest income is under budget by \$19,000 and Mr. Rusilowicz feels that will be \$12,000 to \$13,000 under budget at the end of the year. The town has not used any of the surplus yet and will not need it this year.

Moving on to expenses, Al Rusilowicz noted that the town is at 83.33 percent expended. Reviewing the various departments, everything is pretty much on budget or below. Election expenses are over budget, but a grant was received from the Secretary of State's Office to offset that. Mr. Rusilowicz added that the Senior Bus will be significantly under budget as well.

Public Works is right on track. Mr. Rusilowicz noted that road maintenance looks like it's over budget, but some of that will be allocated to Town-Aid Road and capital and it will not be over budget at the end of the year. Park and Rec Lake Beseck expenses will probably be over by a considerable amount due to the checkers last summer.

There was an incident at the animal shelter that resulted in water damage and the insurance company reimbursed the town for that, net of the deductible. Al Rusilowicz reminded everyone that they do not get billed for the State Troopers until the end of the year. Ed Bailey added that Police Overtime has been reduced because they are not receiving the DUI grant and there was no Durham Fair this fiscal year.

Looking at the Fire Department, truck operations/maintenance will likely be over budget by maybe \$10,000 at the end of the year. Board and Commissions have not had much activity, except for the Board of Finance.

The town has not spent anything yet from the Reserves for Contingencies, although they do feel that the Staff Coverage line item will be used this year and part of next year. Mr. Rusilowicz again reviewed that the TD Bank final payment was adjusted. Everything is pretty much at 100 percent for Outside Agencies, with the exception of the Hazardous Waste. Ed Bailey stated that there will be one more hazardous waste collection.

Al Rusilowicz summarized that they are in excellent shape on the expense side and Jim Irish added that they are in excellent shape all over.

Mr. Rusilowicz will run the proposed budget and send it out to Jim Irish for review. Mr. Irish will provide the budget and slide presentation to Donna Golub prior to the meeting.

New Business

1. Confirmation of the Remaining Budget Calendar

Jim Irish explained that the public hearing will be held a week from tonight via Zoom, starting at 7:00 pm, when they will go through the slides and present the detailed budget. The Town Meeting for consideration and voting on the budget will be held on Monday, June 7, 2021 at 7:00 pm in Peckham Park. Ed Bailey felt it might be difficult to present slides outside in the daylight and they may want to print the slides as a handout. There will be a public address system and a tent as well.

After the Town Meeting, the Board of Finance will have a short special meeting to establish the mill rate.

2. Other

Jim Irish asked if Ed Bailey has heard anything about the Economic Development Coordinator and the American Recovery Act. Mr. Bailey stated that they received 151 pages of guidance from the Treasury Department and everything is very vague, yet definitive. Laura Francis on the executive board of CCM and suggested that they create a committee to vet any ideas to spend that money. That committee will have CCM staff, an attorney and representatives from several towns. After doing some research, they will no longer be calling the position Economic Development Coordinator and it will now be called Economic Recovery Coordinator in order to take advantage of those funds. Mr. Bailey thought the town should receive about \$1.1 million in two phases and noted that they can very clearly spend it on water and sewer projects. They may consider replacing the pump station on Brookside Drive. He explained that these are only ideas at this point and noted that they can help businesses in town as well as Youth and Family Services. They could also spend some of the money on food assistance to the community and Mr. Bailey will be meeting with the Middlefield Social Services committee. He feels that they will easily go through the federal money and it will not be used to cover routine expenses.

Mary Wolak asked if the money that the schools will be getting for educational enrichment will connect at all with summer camp. Ed Bailey met with Hannah Malcolm yesterday and the town will provide the summer camp with funding to primarily help people that can't afford to send their children. Money received from the federal government can only cover expenses incurred after March 3, 2021. The Board of Selectmen will decide how these funds are spent as they would with any other grant. None of this money will go into the general fund and it will remain as a separate account. Mr. Bailey will gladly share any information with the Board of Finance and he is open to ideas on how to spend the money. He also added that Southington has taken all of their money and put it into sewer projects and will no longer need to borrow money to do that. Melissa Kowal asked if there were other sewer projects that could use attention and Ed Bailey stated that the Brookside Drive system is paid for by the town, but the rest of the systems in town are self-sustaining and benefit only the people who use the system.

Jim Irish added that the board would be interested in seeing what CCM comes up with to help contribute ideas to the Board of Selectmen. Mr. Bailey hoped that they would have more definitive information in a month or two.

Mr. Irish also asked if any federal infrastructure funding will impact road repairs in town. Mr. Bailey explained that, as far as the American Recovery Act, infrastructure is specific to water, sewer and internet. There doesn't seem to be anything specific to allow the money to be used for road construction, etc. Mr. Bailey also believes that they will have until 2024 to expend the funds. He hopes to receive half the funds soon and the other half in about a year. About \$430,000 will come directly to the town and the state will filter money to Middlesex County which will be somewhere around \$30 million that will be divided by population to the towns which he hopes will be about \$700,000. He is not sure if the state will keep any of that money.

Adjournment

Melissa Kowal made a motion, seconded by Mary Wolak, to adjourn the meeting. Motion was carried unanimously. The meeting was adjourned at 9:04 pm.

Respectfully submitted,

Debi Waz

Debi Waz
Alwaz First