

**TOWN OF SOMERS
BOARD OF FINANCE
REGULAR MEETING MINUTES
MONDAY, MARCH 19, 2012
Town Hall Lower Level Conference Room 7:00 P.M.**

I. CALL TO ORDER:

Chairman Jim Persano called the Board of Finance Regular Meeting to order at 7:00 p.m. Members: Jim Persano, Michael Parker, Joseph Tolisano, Steve Krasinski, Thomas Mazzoli and Marilyn Pronovost were present and constituted a quorum. Also present First Selectman Lisa Pellegrini, Selectmen Kathy Devlin and Bud Knorr, Town CFO Kim Marcotte, Jeff Bord Director of Public Works/Town Engineer, Todd Rolland Deputy Director of Public Works and Fire Chief Gary Schiessl

II. PROPOSED BOND ISSUE:

Chairman Persano solicited volunteers to serve on a CIP subcommittee to handle the projects being proposed for bonding and CIP projects. The committee will make recommendations to the Board of Finance on how to address these issues. Michael Parker and Steve Krasinski will be the Board of Finance representatives on the subcommittee. Lisa Pellegrini will represent the Town. The Board of Education will be asked to appoint a representative to serve.

III. CIP:

Discussion deferred to CIP subcommittee.

IV. FY2013 PROPOSED BUDGET:

Jim Persano asked if the Board of Finance had any questions on the presentations of the Board of Education and the Board of Selectmen. Kim Marcotte reported the total proposed budget including the \$210,000 of additional LoCIP funds is \$29,241,201.

	<u>Proposed Budget</u>	<u>Percentage change</u>
Board of Education	\$19,827,174	2.55%
Board of Selectmen	\$ 6,742,645	5.04%
Debt Service	\$ 1,946,382	(11.58%)
CIP	\$ 725,000	141.67%

Kim Marcotte further reported on the Proposed Revenues. The Board of Assessment Appeals will meet later this week. There is the possibility of a change to the Grand List which would result in an adjustment to the property tax figure.

Property Taxes	\$17,985,409
Intergovernmental	\$ 9,517,091
License, Permits, etc.	\$ 337,500
Interest	\$ 25,000
Misc. recycling, rentals, cell towers	\$ 375,626
Ambulance	\$ 175,000
Use of General Fund	\$ 825,575

Mr. Parker stated his point of view on the mill increase. He would like to make it as modest as possible because once it goes in it stays there. He stated the Board of Finance should look critically at the amount of equipment purchases in the budget. The Board of Finance could take the equipment out and put it into the bonding and spread it out over the bond term. It will cut the variance by more than half. There is about \$60,000 in the Town part of the budget and \$187,100 of equipment purchases in the Board of Education budget. We could take out the CIP funding beyond the \$123,000 necessary to pay

the existing leases. That would leave about \$482,000 to be financed if we didn't want to dip into reserves. We can deal with the \$482,000 by way of an increase of a half a mill or so and not a full mill. Then deal with the equipment purchases through the bonding and CIP process that we have set up.

Mr. Parker commented that interest rates are exceeding low. This is a time to buy equipment and finance it over a long-term. Mr. Parker does not think cranking an increase into the mill rate should occur unless it is necessary. So to sum it up Mr. Parker would take the equipment purchases out which would drop the variance down to \$482,000 or \$359,000 depending on how you deal with the \$123,000.

Chairman Persano doesn't understand how people are defining equipment in the operating budgets vs. CIP. The true spirit of CIP was to take all capital expenditures out the Board of Selectmen and Board of Education budgets and put it in the CIP budget. Discussion on the dollar value for CIP ensued and will be addressed by the CIP subcommittee.

Mr. Parker feels the capital expenditure piece have crept into both operating budgets. If we take the capital equipment out of the budget, we can drop the difference between the revenues and expenses to \$500,000. We need to take as much equipment cost within the law and put it within the bond package.

Mr. Tolisano had a similar thought and commented that the Board of Finance agrees that the only flexibility is with the capital side. Do we pay for it from CIP or bond it. If it takes 8 months to do a RFP on a truck and if we do our due diligence on a bond, we can move it forward. Mr. Tolisano concurs with Mr. Parker's logic. Mr. Tolisano said the cost to purchase a bond needs to be put in a line item. Otherwise we would have to look forward to a Town meeting. That whole strategy would fall victim if we don't have a line item in there.

Ms. Marcotte interjected that the useful life of whatever you bond for needs to exceed the life of the debt payments. The items contained in the operating budget are not going to exceed the life of the bond. Mr. Parker asked what would be the duration of the bond. Ms. Marcotte would recommend 10 years.

Chairman Persano is concerned about taking pressure off the mill rate this year and then all of a sudden having it spike in the upcoming years.

Mr. Krasinki commented that nothing is wrong with Mr. Parker's proposal. However, we need to think about how much we want to bond and what we want to bond for. The future CIP requests in addition to the bond payment need to be considered. What do you want to do for next year? The appetite for CIP has to be lowered.

Chairman Persano said in lieu of extracting operational and recurring outlays from the operating budgets they need to coordinate between the \$725,000 in CIP and what we are going to bond. Chairman Persano prefers to go with it that way as oppose of taking out of the operational budgets things that are recurring. Chairman Persano said he would reduce \$725,000 before he reduces the operational budget.

Chairman Persano mentioned that they should not ease up on the mill rate increase because there are problems out there that need to be addressed.

Mr. Parker said this town has underfunded its capital investment for a long time. The only way we are going to begin to correct it is to take a look at what is in the CIP number this year but probably in the next year or two and try to sweep that into a bond package.

Mr. Krasinki suggested that someone needs to get to the State of Connecticut and get the pilot money back. Mr. Krasinki said they are using our land up there. They have promised us money to use that land

and we need to get our money. That is our land. We can tax it for houses. Mr. Krasinski suggested one of the Selectmen should go after them. That will help us. The money is going to Hartford, New Haven and Bridgeport. The State of Connecticut made a promise to us and they are not keeping it. We have been losing money from \$1M-\$2M each year for three years now and that is why we are in this situation.

Chairman Persano summarized Mr. Parker's idea of extracting capital expenditures which are bondable from the CIP and the operational budgets and putting them into a proposed bondable package and reduce the operating budget along with the mill rate increase.

Chairman Persano recommended accepting the budgets as proposed. Take out the \$60,000 of CIP for bond issuance expenses and bring the CIP down to \$665,000.00. Go for the 1 mill increase. Keep the operating budgets intact. The CIP subcommittee will look at the \$665,000 and bonding issues. Come up with a determination on how to move forward on capital projects.

Mr. Parker agreed that Chairman Persano and Mr. Tolisano are right. We need to make sure we have the right amount of reserves and have a solid footing. Mr. Parker indicated that the grounds are there for him to approve it this year but feels this should not be done again next year, not unless there is a dire occurrence that happens between now and then.

Mr. Tolisano made a motion to accept the 2012-2013 budgets with revenues of \$29,241,201 and expenditures of \$29,241,201 with \$60,000 being set aside for potential bonding costs. CIP expenditures of \$665,000, Board of Education \$19,827,174, Board of Selectmen \$6,742,645, a debt service of \$2,006,382 to make up the \$29,241,201 and a proposed mill increase of 1 mill. Ms. Pronovost seconded it. All were in favor, motion carried.

Chairman Persano further explained the CIP of \$665,000 is just a number until the CIP Committee resolves the bonding issue and the detail of what is going to constitute that \$665,000.00. That list has not been proposed by the CIP Committee and it has not been approved by the Board of Finance which needs to be done before those expenditures take place.

V. MINUTES APPROVAL:

The Minutes Approval will be held at a subsequent meeting.

VI. ADJOURNMENT:

Mr. Tolisano made a motion to adjourn the Board of Finance Special Meeting at 8:09 p.m. Chairman Persano seconded. All were in favor, motion carried.

Respectfully submitted,

Regina C. Robinson, Recording Secretary

THESE MINUTES ARE NOT OFFICIAL UNTIL ACCEPTED AT A SUBSEQUENT MEETING