

TOWN OF BERLIN
REGULAR BOARD OF FINANCE MEETING
October 13, 2020
Town Council Chambers (BOF only due to COVID-19)
REMOTE
7:00 P.M.

Join meeting
Password: OctBOFMtg

Call-in Option: 1-408-418-9388 United States Toll
Access Code: 132 244 2772
Passcode: 62826368

A. CALL TO ORDER

B. ROLL CALL

C. PUBLIC COMMENTS

D. APPROVAL OF PRIOR MINUTES

September 8, 2020 Regular Meeting

E. NEW BUSINESS

1. Move to approve an additional School Health Aide position of 15 hours per week to provide adequate health coverage in Hubbard Elementary School.
2. Move to appropriate an election grant from the Connecticut Secretary of the State to the Registrar of Voters Supplies account (\$6,019.00) and the Election Workers account (\$2,000.00).
3. Move to appropriate an election grant from the Connecticut Secretary of the State to the Town Clerk Overtime account (\$3,000.00); Part-time and Summer Help account (\$3,000.00); Social Security account (\$459.00); Worker's Compensation account (\$22.20); Pension account (\$300.00) and Supplies account (\$921.80).
4. Move to approve the transfer of \$385,000 from the Issue of June 2020 account to the Tax Refunds account, both in the General Fund, effective April 1, 2021.
5. Discuss June 2020 BOE equipment expense question from Mr. Bordonaro.
6. Review FY22 debt plan proposal.
7. Finance Director update.

F. ADJOURNMENT

TOWN OF BERLIN
REGULAR BOARD OF FINANCE MEETING
September 8, 2020
Large Board of Education Meeting Room (BOF Only)
REMOTE
7:00 P.M.

Join meeting
Password: Sep2020BOFMtg

Call-in Option:	1-408-418-9388 United States Toll
Access Code:	132 484 2907
Passcode:	73720202

A. CALL TO ORDER

Chairman Lomaglio called the meeting to order at 7:03 p.m.

B. ROLL CALL

ATTENDANCE:

Members Present: Sal Bordonaro, Tim Grady, Mark Holmes, Sam Lomaglio, Gerald Paradis, John Richards

Staff Present:

Arosha Jayawickrema – Town Manager
Kevin Delaney – Finance Director

C. PUBLIC COMMENTS

None.

D. APPROVAL OF PRIOR MINUTES

July 14, 2020 Regular Meeting
July 23, 2020 Special Meeting

Mr. Richards moved to approve the July 14, 2020 Regular Meeting Minutes and the July 23, 2020 Special Meeting Minutes.

Seconded by Mr. Bordonaro.

Vote being (6-0). MOTION CARRIED.

E. OLD BUSINESS

1. Move to transfer \$11,365 from Nursing Department Professional Services account to Department Head account (\$10,000), Social Security account (\$765) and the Pension account (\$600) to in-source Quality Assurance processes in FY21.

Mr. Paradis moved to transfer \$11,365 from Nursing Department Professional Services account to Department Head account (\$10,000), Social Security account (\$765) and the Pension account (\$600) to in-source Quality Assurance processes in FY21.

Seconded by Mr. Bordonaro.

Board of Finance previously expressed concern about spending taxpayer funds to pay staff to perform work if time is available during the work week due to the reduced census.

Finance Director Delaney stated that every nursing organization is required to perform quality audits and self-examinations are permitted. Internal audits might identify process issues that can be addressed before an external audit would formally identify them.

Town Manager Jayawickrema added that the purpose of the internal audit is to follow the processes and confirm whether the nurses, caregivers and practitioners are logging activity correctly and meeting goals. He stated that VNA Administrator Russo is qualified to perform the internal audit and would not perform any audit work during the course of her scheduled workday, as it is not part of her job description. Any audit work would be performed on nights or weekends (approximately 8-10 hours per week) at an approximate cost of \$20/hour. Town Manager Jayawickrema reported that the typical cost for an outside contractor to perform similar internal audit work is about \$33,000 and utilizing internal personnel would save the Town funds. He plans to put the internal audit work out to bid in January 2021.

Those voting in favor: Mr. Bordonaro, Mr. Grady, Mr. Lomaglio, Mr. Paradis

Those voting against: Mr. Holmes, Mr. Richards

Vote being 4-2. (MOTION CARRIED)

F. NEW BUSINESS

- 1. Move to appropriate a \$4,220 Juvenile Review Board grant to the Part Time Help, Worker's Comp., and Social Security expense accounts within the Social & Youth Services department.**

Mr. Paradis moved to appropriate a \$4,220 Juvenile Review Board grant to the Part Time Help, Worker's Comp., and Social Security expense accounts within the Social & Youth Services department.

Seconded by Mr. Bordonaro.

Mr. Delaney clarified that there is currently a volunteer in the Social & Youth Services department, which the department proposes to hire formally

Vote being: 6-0. (MOTION CARRIED)

- 2. Move to create a professional position of Deputy Fire Marshal to serve in that capacity and provide department coverage in the absence of full-time staff.**

Mr. Paradis moved to create a professional position of Deputy Fire Marshal to serve in that capacity and provide department coverage in the absence of full-time staff.

Seconded by Mr. Holmes.

Finance Director Delaney stated that the position is currently filled with contractual labor. The position is essentially an on-call position that would be activated if the Fire Marshal is out and the current Deputy is unavailable.

Vote being: 6-0. (MOTION CARRIED)

Finance Director Delaney explained that items 3-9 are proposed transfers of Fiscal Year 2020 surplus.

- 3. Move to approve the transfer of \$18,500.00 from the In Lieu of Sick (retiree) account in the General Fund to the Transfer to Other Funds account in the General Fund and appropriate the funds to the Building & Renovations account in the Police Construction Fund.**

Mr. Paradis moved to approve the transfer of \$18,500.00 from the In Lieu of Sick (retiree) account in the General Fund to the Transfer to Other Funds account in the General Fund and appropriate the funds to the Building & Renovations account in the Police Construction Fund (Fiscal Year 2020).

Seconded by Mr. Bordonaro.

Finance Director Delaney stated that this transfer proposes to take some of the Police surplus and direct it to renovations. The remainder of the surplus will be returned to the General Fund.

Vote being: 6-0. (MOTION CARRIED)

- 4. Move to approve the transfer of \$120,000.00 from the Police Personnel account, \$35,000.00 from the Police Social Security account and \$45,000 from the Police Pension account, all in the General Fund, to the Police Vehicles account in the General Fund.**

Mr. Paradis moved to approve the transfer of \$120,000.00 from the Police Personnel account, \$35,000.00 from the Police Social Security account and \$45,000 from the Police Pension account, all in the General Fund, to the Police Vehicles account in the General Fund (Fiscal Year 2020; \$200,000).

Second Mr. Holmes.

Mr. Richards remarked that when capital items were eliminated from the 2021 budget, the Board of Finance stated it would consider funding capital purchases from the fund balance, if the financial circumstances allowed for it. He noted an exhibit shared with the BOF at the July meeting. Finance Director Delaney explained that these transfers comprise a reduction in the year end surplus, and are part of the closing actions for FY 2019-20, as was shown on that exhibit.

Fleet Manager Jim Simons stated that four police vehicles were purchased last year, and he proposes to purchase four more this year. Berlin Police Department has a total of 17 vehicles in its fleet, including patrol and specialty vehicles (i.e.: K-9, Traffic Officer, Supervisor). Currently there are at

least six vehicles with over 80,000 miles on them. Mr. Simons stated that it takes between 9 months to one year for a new vehicle to be built and put into service, and further delays might be expected due to automotive plants halting production work to make ventilators during the Covid-19 pandemic. In that time, the high-mileage vehicles will gain another several thousand miles. Fleet Manager Simons also stated that the decommissioned police vehicles will be put to use in the Town's administrative fleet (Board of Education Security Officer, Fire Marshal, Building Inspector, pool vehicle). These vehicles were in the requested capital plan.

Vote being: 6-0. (MOTION CARRIED)

5. Move to approve the transfer of \$25,000.00 from the Non-Taxable Election Worker's account in the General Fund to the Golf Course Backhoe account in the General Fund.

Mr. Paradis moved to approve the transfer of \$25,000.00 from the Non-Taxable Election Worker's account in the General Fund to the Golf Course Backhoe account in the General Fund (Fiscal Year 2020).

Seconded by Mr. Holmes.

Fleet Manager Simons explained that the Timberlin's backhoe is 28 years old and was handed down from Grounds. The machine suffered a catastrophic failure of the hydraulic pump (as well as transmission failure) and he feels that the backhoe is not worth fixing given its age and condition. Fleet Manager Jim Simons proposes to to buy small used loader for loading sand, rock, etc.

Vote being: 6-0. (MOTION CARRIED)

6. Move to approve the transfer of \$4,500 from the Public Grounds Overtime account, \$2,000 from the Public Grounds Storm Related Overtime account, \$2,000 from the Highway Storm Related Overtime account, \$10,000 from the Public Grounds PT & Summer Help account, \$19,500 from the Public Grounds Electricity account, \$5,000 from the Public Grounds Labor Serv., Pool & Cemeteries account, \$2,000 from the Public Grounds Maintenance & Repair account, \$2,000 from the Public Grounds Fertilizer, Seed, Chem. Account and \$3,000 from the Public Grounds Sanitation account, all in the General Fund, to the Rack Body account in the General Fund.

Mr. Paradis moved to approve the transfer of \$4,500 from the Public Grounds Overtime account, \$2,000 from the Public Grounds Storm Related Overtime account, \$2,000 from the Highway Storm Related Overtime account, \$10,000 from the Public Grounds PT & Summer Help account, \$19,500 from the Public Grounds Electricity account, \$5,000 from the Public Grounds Labor Serv., Pool & Cemeteries account, \$2,000 from the Public Grounds Maintenance & Repair account, \$2,000 from the Public Grounds Fertilizer, Seed, Chem. Account and \$3,000 from the Public Grounds Sanitation account, all in the General Fund, to the Rack Body account in the General Fund (Fiscal Year 2020; \$50,000).

Seconded by Mr. Holmes.

Grounds Superintendent Steve Wood stated the current rack body is from 1991. The Grounds department doesn't currently have enough vehicles to get the full staff to jobs or get jobs done. Purchasing a rack body truck would allow transportation of more material to jobs in just one vehicle and free up smaller trucks for staff movement or snow removal.

Vote being: 6-0. (MOTION CARRIED)

- 7. Move to approve the transfer of \$25,000.00 from the Highway Health Insurance account, \$25,000 from the Highway Blue Collar account, \$25,000 from the Stormwater Drainage Analysis account and \$35,000 from the Planning & Zoning Mid-Manager account, all in the General Fund, to the Excavator account in the General Fund.**

Mr. Paradis moved to approve the transfer of \$25,000.00 from the Highway Health Insurance account, \$25,000 from the Highway Blue Collar account, \$25,000 from the Stormwater Drainage Analysis account and \$35,000 from the Planning & Zoning Mid-Manager account, all in the General Fund, to the Excavator account in the General Fund (Fiscal Year 2020; \$110,000).

Seconded by Mr. Bordonaro.

Highway Superintendent Steve Karp explained that the cost to rent / lease the excavator is high at \$2,200/week or \$7,200/month. Additionally, demand is high after a disaster and availability becomes an issue. The excavator can be transported from site to site utilizing a trailer.

Vote being: 6-0. (MOTION CARRIED)

- 8. Move to approve the transfer of \$40,000.00 from the Highway Storm Related Overtime account in the General Fund and \$20,000 from the Public Grounds Storm Related Overtime account in the General Fund to the Highway Front Loader account in the General Fund.**

Mr. Paradis moved to approve the transfer of \$40,000.00 from the Highway Storm Related Overtime account in the General Fund and \$20,000 from the Public Grounds Storm Related Overtime account in the General Fund to the Highway Front Loader account in the General Fund. (Fiscal Year 2020; \$60,000)

Seconded by Mr. Holmes.

Fleet Manager Simons stated that the current loader is used every day and was purchased 15-20 years ago for light use until it expired. Its uses and applications have changed and Mr. Simons proposes a heavier-duty machine that can be rebuilt later in its life.

Vote being: 6-0. (MOTION CARRIED)

- 9. Move to approve the transfer of \$12,250.00 from the Highway Health Insurance account, \$12,750 from the Highway Blue Collar account and \$12,400 from the Stormwater Drainage Analysis account and \$37,600 from the School Electricity account, all in the General Fund, to the Woodchipper account in the General Fund.**

Mr. Paradis moved to approve the transfer of \$12,250.00 from the Highway Health Insurance account, \$12,750 from the Highway Blue Collar account and \$12,400 from the Stormwater Drainage Analysis account and \$37,600 from the School Electricity account, all in the General Fund, to the Woodchipper account in the General Fund (Fiscal Year 2020; \$75,000).

Seconded by Mr. Holmes.

Highway Superintendent Karp stated that the current equipment is a lightweight brush chipper and has had several problems. He suggests a bigger, stronger machine, as it is in constant use.

Vote being: 6-0. (MOTION CARRIED)

10. Finance Director update.

- Revenue is on pace with prior year, collection rate has held up strong.
- Expenditures are up year-over-year, mainly due to the health insurance transfer occurring all at the start of the year this fiscal year (versus drawn with each pay cycle in prior years).
- Pension fund – several members of the closed fund have requested payouts. This may result in four (4) of the remaining ten plan members retiring at a cost of around \$1,500,000-\$2,000,000 each, assuming interest rates stay at current level.
- Board of Education 2% account – The BOE may redirect surplus funds not expended on furniture and security guard equipment (up to \$12,000) to modify the police cruiser (to be retired and repurposed when the newly approved cruise comes in) for security guard use.
- Risks & opportunities – The Town reached settlement with Eversource lawsuit which Town Council will vote on at the September 15, 2020 meeting. If accepted by Town Council and Board of Finance, the settlement would result in: 1) Negating Eversource's January, 2021 tax invoice (~\$1,500,000) rather than Berlin paying the taxpayer back for the disputed taxes it paid while in litigation; 2) tiered reduction of Eversource's assessment value from \$122,000,000 to \$92,500,000 and further reduction to \$90,500,000 for the last two years. Mr. Holmes pointed out that this revaluation cost the Town legal fees and negatively impacted relations with the Berlin's biggest revenue source, as well as other local businesses. Mr. Delaney pointed out that the legal costs were minimal since the Town was represented by Corporation Counsel, and the valuation in 2017 increased minimally. The objection from Eversource was based on a long-standing property value.

Chairman Lomaglio informed the Board of Finance that he and the Mayor met with the Board of Education to discuss expenses related to Covid-19 but the Superintendent did not share an exact figure. Mr. Richards reported that at the last Board of Education meeting he asked for documentation of those expenses and was told that the figures had been provided to Chairman Lomaglio. Mr. Paradis stated that he would like to see a detailed list of Covid-19 related expenses being submitted for reimbursement, and another of the Covid-19 related expenses not being submitted for reimbursement.

Finance Director Delaney indicated that the Board of Education is eligible for relief funds totaling approximately \$589,000. Mr. Holmes said that the Board of Education has incurred additional expenses for their custodial staff to clean school buses. Finance Director Delaney had spoken with the BOE Business Manager and noted that New Britain Transportation cleans the buses twice daily

(at the beginning and end of each day), but the Board of Education added cleanings of the buses between “waves” of use by high schoolers, middle schoolers and elementary students in response to concerns of many parents. The cleaning between runs is not covered in the contract with NBT.

Mr. Bordonaro asked the status of the July BOE monthly report. Mr. Richards stated that it was approved by the BOE and that Mr. Delaney had shared it the week after the August 10, 2020, meeting of the BOE. Mr. Bordonaro asked about the June 30, 2020, BOE report and said he would be interested in an explanation for the unfavorable variance in the Equipment category. Mr. Lomaglio asked Mr. Delaney to request the information from the BOE’s Business Manager.

G. ADJOURNMENT

Mr. Holmes moved to adjourn at 8:06 p.m.

Seconded by Mr. Paradis.

Vote being: 6-0. (MOTION CARRIED)

Submitted by,

Dana Borges

Agenda Item No. E-1
Request for Board of Finance Action

TO: The Board of Finance
FROM: Arosha Jayawickrema, Town Manager
DATE: September 1, 2020
SUBJECT: Request for additional 15 hour per week School Health Aide position to cover Hubbard Elementary School Health Room.

Summary of Agenda Item:

School Health Room activity measured by volume of students indicates the need for more than 1 staff member to adequately care for the needs of our students. The current number of hours available for Health Aide coverage at Hubbard School is 15 hours per week. An additional Health Aide position of 15 hours per week would adequately cover the student health needs and provide needed support to the School RN. With the recent COVID 19 pandemic, the need to staff school health areas with at least 2 staff members is required. This level of staffing will provide the ability to isolate students as needed, treat all students in need of nursing care, and always provide supervision of all nursing areas. The cost to the town for an additional 15 hour per week position would be calculated at \$17.49 per hour. Total cost annually including Social Security and Workers Compensation Insurance would be \$15,062.00. The increase in school health coverage would be in the best interest of the town.

Action Needed:

Move to approve an additional School Health Aide position of 15 hours per week to provide adequate health coverage in Hubbard Elementary School.

Attachments:

None

Prepared by:

Wendy Russo RN, Administrator Berlin VNA

Agenda Item No. E-2
Request for Board of Finance Action

TO: The Board of Finance
FROM: Arosha Jayawickrema, Town Manager
DATE: September 24, 2020
SUBJECT: Grant for 2020 Elections

Summary of Agenda Item:

The Registrar of Voters has received \$8,019.00.00 in grants for the 2020 elections.

These funds will be appropriated to the Supplies Account #001.05.0510.0.53201.00000 in the amount of \$6,019 and Election Workers Account # 001.05.0510.0.51540.00000 in the amount of \$2,000 to cover higher election costs.

Action Needed:

Move to appropriate an election grant from the Connecticut Secretary of the State to the Registrar of Voters Supplies account (\$6,019.00) and the Election Workers account (\$2,000.00).

Attachments:

None

Prepared By:

Christy Miano
Registrar of Voters

Agenda Item No. E-3
Request for Board of Finance Action

TO: The Board of Finance

FROM: Arosha Jayawickrema, Town Manager

DATE: September 24, 2020

SUBJECT: Absentee Ballot Support Grant

Summary of Agenda Item:

The following is from the Secretary of the State Office: "The Absentee Ballot Support Grant is given to the towns so that town clerks have the resources to process, mail out, and count a record-breaking number of absentee ballots. 2020 is the first election in Connecticut history where every voter will be able to vote by absentee ballot if they choose to do so. The grant assumes that 80% of registered voters will chose to vote in 2020, and that 66% of those voters will choose to vote by absentee ballot, and grants towns \$1 for each voter through the 10,000th projected voter and \$2 for each additional voter more than 10,000. Should more voters cast absentee ballots than projected, towns will receive additional grant money in the same amounts. The Absentee Ballot Support Grant projects more than 1.1 million votes cast by absentee ballots, for a total grant amount of \$1,446,693. This is in addition to the \$2 million dollars spent on printing and postage for the absentee ballot applications and ballots in the primary, the \$2.1 million on printing and postage for the absentee ballot applications for the general, the \$500,000 for Secure Ballot Drop Boxes, and the \$1.1 million on postage for the absentee ballot packages and completed ballots for the general."

Town Clerk

001.05.0511.0.51400.00000	Overtime	\$3,000.00
001.05.0502.0.51510.00000	Part Time & Summer Help	\$3,000.00
001.05.0511.0.52100.00000	Social Security	\$459.00
001.05.0511.0.52010.00000	Worker's Compensation	\$22.20
001.05.0511.0.52200.00000	Pension	\$300.00
001.05.0511.0.53201.00000	Supplies	\$921.80
		<hr/>
		\$7703.00
		<hr/>

Action Needed:

Move to appropriate an election grant from the Connecticut Secretary of the State to the Town Clerk Overtime account (\$3,000.00); Part-time and Summer Help account (\$3,000.00); Social Security account (\$459.00); Worker's Compensation account (\$22.20); Pension account (\$300.00) and Supplies account (\$921.80).

Attachments:

None

Prepared By: Kate Wall, Town Clerk

SUBJECT: Rocky River (Eversource) Property Tax Lawsuit Settlement

In response to the 2017 revaluation of the property at 107 Selden Street, Rocky River Realty (Real Estate Holding Company owned by Eversource) appealed the assessed value of the property as of the 10/1/17 Grand List. Their appeal was denied by the Board of Assessment Appeals. As available under Connecticut General Statutes, Rocky River Realty filed a lawsuit against the Town appealing the decision of the Board of Assessment Appeals and asking the Court to reduce the assessed value of the Selden Street property.

Both sides used this protracted break to meet again and work on a settlement. On July 28, 2020, three representatives from Eversource, the Town Manager, Town Attorney, Assessor and Finance Director met. As a result of that meeting, both sides agreed to a settlement that results in the Town of Berlin lowering the assessed value of the Selden Street property and refunding \$1,839,096.82 to Rocky River Realty for overpayment of taxes on the 2017, 2018 and 2019 (first half) Grand Lists. While this is a substantial reduction for the Town's Grand List to absorb, everyone involved representing the Town of Berlin believes approving the settlement is fair and equitable.

Below is the revised valuation for each year of the settlement. Please note, the last two years of the modified valuations represent FY22 and FY23 budget years (future periods).

	Fiscal			Value	Mill	
GL	Year	Value	Adj Value	Reduction	Rate	Tax Impact
2017	2019	\$120,887,571	\$100,000,000	(\$20,887,571)	32.50	(\$475,192.25)
2018	2020	\$122,462,571	\$95,000,000	(\$27,462,571)	33.93	(\$652,263.53)
2019	2021	\$122,462,571	\$92,500,000	(\$29,962,571)	33.93	(\$711,641.03)
2020	2022	\$122,462,571	\$90,000,000	(\$32,462,571)	TBD	
2021	2023	\$122,462,571	\$90,000,000	(\$32,462,571)	TBD	
						(\$1,839,096.82)

Method to Refund Rocky River:

To execute the settlement, the Town will adjust the January 2021 property tax bill for Selden Street to \$0. This will refund \$1,454,304.27 of the overpayment of taxes on the 2017, 2018 and 2019 (first half) resulting from the settlement. The balance of the overpayment due as part of the settlement will be paid in a check to Rocky River during the first calendar quarter of 2021.

The cash refund amount of \$384,792.55 (\$1,839,096.82 - \$1,454,304.27) will be funded by a transfer from the Issue of June 2020 account (001.40.4063.0.59500.02052) to the Tax Refund account (001.05.0504.0.53924.00000), both in the General Fund. The Issue of June 2020 account has funds available because the first principal payment on the bonds issued in June 2020 is scheduled for December 2021 instead of December 2020.

ACTION NEEDED:

Move to approve the transfer of \$385,000 from the Issue of June 2020 account to the Tax Refunds account, both in the General Fund, effective April 1, 2021.

ATTACHMENTS:

None

PREPARED BY:

Kevin Delaney, Finance Director
Joe Ferraro, Assessor

Kevin Delaney

From: Jeffrey Cugno <jcugno@berlinschools.org>
Sent: Tuesday, September 15, 2020 9:33 AM
To: Sam Lomaglio
Cc: Kevin Delaney; Richard Aroian; Brian Benigni
Subject: Fwd: Info to BOF

Follow Up Flag: Follow up
Flag Status: Flagged

Rich Aroian asked me to send the following email to you on his behalf as President of the BOE. Jeff

Hi Sam,

Kevin Delaney recently notified Brian Benigni and Jeff Cugno that a member of the Board of Finance has requested certain information from the Board of Education. Please accept the following in response:

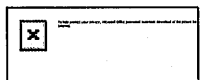
As reported in the BOE June 2020 Monthly Report, our Equipment expenditures for that month totaled \$461,414.18. The substantial majority of that amount (\$418,681.60) was spent on the following IT equipment:

- Servers for BHS Data
- Servers for Security
- Hotspots (COVID)
- McGee Cameras
- Access Control Upgrades
- Staff Laptops
- IPADS for K-2 (COVID)

Please contact me if you or the BOF have any additional questions or requests regarding this matter.

Rich

Jeffrey P. Cugno
Director of Business Operations
Berlin Public Schools
 238 Kensington Road
 Berlin, CT 06037
 860-829-6783 Office
 860- 829-0832 Fax
jcugno@berlinschools.org



www.berlinschools.org

This message is intended only for the use of the addressee and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this

Agenda Item No. E-6
Request for Board of Finance Action

TO: The Board of Finance

FROM: Arosha Jayawickrema, Town Manager

DATE: September 8, 2020

SUBJECT: Discuss June 2021 Bond Plan Recommendation

Summary of Agenda Item:

In May/June of each year, the Town of Berlin has historically issued General Obligation (GO) bonds. In advance of the issuance, the Town Council and Board of Finance must approve bond ordinances and agree on the annual bond size. Each project/acquisition utilizing bond proceeds must have an approved ordinance that is drafted by bond counsel. The ordinance requires credible cost estimates and a project scope that will be defined in the ordinance. Funds must be spent in accordance with the ordinance scope unless reallocated by the Town Council and Board of Finance later.

Since the bonding process takes a fair amount of time (including project scoping and costing), the bond plan is reviewed and approved between September and November each year. Bond ordinances are approved by the Town Council and Board of Finance over a four-meeting timeframe. Once the bond issuance is sized and ordinances are approved, the Town's credit rating is obtained from S&P and an official statement is drafted to market the bonds. In addition to taking a few months to complete, each bond issuance normally costs the Town \$20,000 (short-term notes only) - \$75,000 (large GO bond).

This agenda item is to initiate the June 2021 bond planning process. Given the local and state economic uncertainty, and with the number and cost of projects in progress or funded but not started, the recommendation is for Berlin not to issue any General Obligation bonds in calendar year 2021.

Action Needed:

No action needed

Attachments:

June 2021 bond plan presentation

Prepared By:

Kevin Delaney, Finance Director

Town of Berlin
FY2022 Budget
June 2021 Bond Plan Recommendation

September 15, 2020 Town Council Meeting

Background: Multi –Year Debt Reduction Strategy

- Beginning in FY2017, Town employed a “borrow less than repaying” strategy
- Goal is to bring debt service down to 3-5% of General Fund budget (from 10-12%)
- Town also put surplus funds (operating & project) to use for needed capital spending
- In FY2019 (May/June 2018 borrowing cycle), the Town elected not to issue GO bond
 - issued BANs instead
 - Reduced debt issuance costs (no S&P rating, easier marketing/sale process)
 - Lowered outstanding debt level
 - Focused on existing, funded capital projects before borrowing more money
- Result: total debt load down from \$107.7 million (6/30/16) to \$90.4 million (6/30/20)

Target debt load: up to \$20 million

Ceiling debt load: \$40 million

Recommendation:

FY2022 (June 2021 borrowing cycle) – No new borrowing

Basis for Recommendation...Open Capital Projects With Identified Funding

- Berlin has already committed to over \$17 million in capital spending
- Should these projects be completed before bonding for new projects?
- Does Berlin have the human resources to maintain existing and do more?

<u>Project</u>	<u>Department</u>	<u>Budgeted Funds*</u>	<u>Source</u>
BHS jacketing of ductwork	BOE	\$1,810,882	Project
Unexpended Education Funds (2% Fund)	BOE	\$437,950	FY20 surplus BOE funds (Hubbard Fire Alarm system, McGee Rooftop HVAC unit #1)
Senior/Community Center Study	Senior Center/P&R	\$721,969	Reimbursable State grant
Percival Soccer Field	P&R/BOE	\$200,000	Bonding
Sage Park Restroom (Scalise Field)	P&R/BOE	\$90,000	Bonding
Fire Truck	Fire Dept.	\$400,000	Bonding (need to bond for final payment when received)
4-Bridge Renovation	Public Works	\$3,224,668	Bonding (80% federal reimbursement)
Glen Street Bridge	Public Works	\$500,000	Bonding
Kensington Rd Bridge (Design)	Public Works	\$450,000	Bonding (Town funds design, CRCOG funds construction)
Edgewood Rd Bridge (Design)	Public Works	\$3,000,000	CRCOG Grant (prefunded) - estimated
Masserio/Porters Pass/Deming Rd Reconstruction	Public Works	\$91,045	Local funds
Recycling Center Renovations (State requirement)	Public Works	\$550,000	Bonding (Design)
Highway Wash Bay	Highway Dept	\$3,600,000	CRCOG Grant (prefunded) - estimated
Kensington Sidewalks II/Main Street Redo	Economic Development	\$515,943	BRRFOC refund at dissolution, rollover funds
Community Connectivity Grant	Economic Development	\$493,925	Bond Premium
889 Brownfield Remediation	Economic Development	\$442,130	Reimbursable State grant
		\$387,000	Reimbursable State grant
		\$641,888	Reimbursable State grant
		\$197,300	Reimbursable EPA grant
		\$100,000	Local funds
		<u>\$17,854,700</u>	

Already Funded “Major” Capital Projects – Other Considerations

- Bonded projects require funds to be spent or reapplied within 18 months
- Reimbursable grants – Berlin “fronts” the money...cashflow pressure
- Projects already in the pipeline for 2021:
 - Jacketing the ductwork → close BHS project → audit → State reimbursement
 - State reimbursement approximately \$3 million
 - reimbursement may be spent on other projects (HVAC at elementary schools?)
 - No reimbursement until the audit is complete – not in the audit pipeline until BOE approves the project
 - Four (4) active bridge projects & Farmington Ave still not closed
 - 4-bridge rehabilitation (construction)
 - Glen Street (engineering)
 - Kensington Rd (engineering)
 - Edgewood Rd (engineering)
 - Reimbursement from 4-bridge & Farmington Ave over \$2.9 million – when complete or settled
 - Masserio/Porter’s Pass/Deming road reconstruction – town funds planning (\$550,000)/CRCOG funds construction (est. \$3.6 million)

Capital Projects In Progress...Expect to Complete in FY2021

- Sage I - \$500,000 bonded; expect to open the field for softball season spring 2021
- Fire Radio Upgrade - \$1,145,000 bonded; expect to complete in calendar 2020
- Farmington Ave Boulevard - \$1,629,000 Reimbursable State Grant/Sale Proceeds/Developer Funds
 - grant deadlines are 12/31/2020
 - move to 889 remediation/construction in calendar 2021?

Smaller Projects...Expect to Complete in Calendar 2020

- Town Hall/Community Center Doors
- Police Station Interview Rooms
- Tiling of Senior Center offices

New project planning and approvals will take focus off completing active projects and approved/funded but not started projects.

Proposed Bond Plan and Two Alternatives For Consideration

Recommended Bond Plan	Alternative #1	Alternative #2
<ul style="list-style-type: none"> • No bond or BAN issue in calendar 2021 • Fund \$400k final fire truck payment in capital plan • Delay elementary schools HVAC project, Spruce Brook Bridge and new Fire Trucks until 2022 • Roads funded with State grants • Reduces outstanding debt by more than \$8.8 million 	<ul style="list-style-type: none"> • Issue \$4.5 million BAN in Sep 2022 • BAN would cover: <ul style="list-style-type: none"> • \$1.2 million for Fire Trucks • \$2.8 million for Willard HVAC • \$500k for Willard parking lot/loading dock/sidewalks • Delay Spruce Brook Bridge until FY2022 • Roads funded with State grants • Reduces outstanding debt by \$3.1 million 	<ul style="list-style-type: none"> • Issue \$3.3 million BAN in Sep 2022 • Fund \$400k fire truck payment in capital plan • BAN would cover: <ul style="list-style-type: none"> • \$2.8 million for Willard HVAC • \$500k for Willard parking lot/loading dock/sidewalks • Delay Spruce Brook Bridge and new Fire Trucks until FY2022 • Roads funded with State grants • Reduces outstanding debt by \$4.6 million

Implications of Proposed Plan

- Relief for local taxpayers during period of economic uncertainty
- State funding uncertainty - Governor asked department heads to prepare for deep cuts (10%, ECS/Public Works grants?) in FY22-24 biennial budget
- Deploy limited human resources to complete previously funded projects
- Relief against cashflow pressure from pension payouts
- Delays HVAC project at all three elementary schools:
 - Do you want contractors in schools during pandemic?
 - Ordinance: PBC has value by end of calendar year 2020 → ordinance approved by TC/BOF → April 2021 referendum
 - Does April 2021 referendum approval leave enough time to hire contractor(s) for summer 2021 work?
 - If move forward with alternative #1 or #2, BAN provides more timing flexibility to secure cashflow for the project
- Benefit: enhanced debt paydown schedule → savings in FY2022 & future years

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GENERAL FUND

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Notes</u>
<i>(budgeted amount excludes assigned fund balance)</i>			
Receipts			
Actual Receipts	\$54,024,037	\$51,998,038	
Budgeted Receipts	\$91,050,922	\$89,001,349	
% to Budget	59.3%	58.4%	
Current Year Tax Receipts <i>(as of August 28th)</i>	\$51,693,847	\$50,159,504	
Current Tax Budget	\$78,789,139	\$78,284,891	
Current Tax Levy <i>(99.1%/99.1% collection rates)</i>	\$79,344,551	\$78,995,854	
% to Current Budget	65.6%	64.1%	
% to Current Levy	65.2%	63.5%	
Adopted budget target %	99.3%	99.1%	
Expenditures <i>(excludes capital expenditures)</i>			
Actual Expenditures	\$22,242,325	\$17,637,381	
Budgeted Expenditures	\$91,475,922	\$89,917,495	
% to Budget	24.3%	19.6%	
Storm-related Overtime (51445)	\$8,577	\$0	
Legal (53828)	<u>Encumbered</u>	<u>Actual</u>	
Ciulla & Donofrio	\$121,500	\$28,500	Monthly retainer (\$9,500) plus extra charges (e.g., time in court, mediation)
Shipman & Goodwin	\$17,728	\$5,773	Labor attorney
Barclay Daman	\$23,616	\$1,385	Planning & Zoning (Atkins St.) expert attorney for Town Council
Joseph Fasi	\$19,458	\$543	Bond counsel
Phoenix Advisors	\$20,000	\$0	Bond advisor
US Bank	\$2,750	\$0	Bond clearing
Source Media	\$1,250	\$0	Bond advertising
Standard & Poor's	\$15,000	\$0	Bond rating
Michael Delorenzo	\$250	\$0	Marshal services
Total	<u>\$221,551</u>	<u>\$36,200</u>	
Budget	\$257,750		
Budget Balance	\$0		

	<u>Target Floor Fd Bal.</u>	<u>Actual Fund Bal.</u>	<u>Notes</u>
INSURANCE FUNDS			
Health Insurance Fund	\$2,262,384	\$1,221,980	The Health Insurance Fund balance is 11.2% of full year projected expenses - against a target reserve range of 25-50%. Although the fund balance is well below the floor, the cash balance is \$1,699,744.
General Insurance Fund	\$1,000,000	\$1,233,133	The fund is used to pay Liability & Worker's Compensation insurance premiums for both the Town and BOE, on-going heart & hypertension claims from police officers, widow/widower heart & hypertension claims, "fronting" reimbursable environmental remediation costs, small equipment claims where Town elects to self-insure and deductibles. Town policy is \$1 million floor and ceiling at 5% of General Fund budget (or \$4,573,796 for FY21). Displayed fund balance is net of H&H reserve and encumbrances for self-insured claims.
TOTAL INSURANCE FUNDS	<u>\$3,262,384</u>	<u>\$2,455,113</u>	

		<u>Notes</u>
PENSION FUND		
Total Liability <i>(as of 7/1/2019)</i> <i>(Adjusted for retirement payouts since 7/1/2019)</i>	\$12,643,699	The Town of Berlin Retirement Income (Defined Benefit) Plan was amended for the last time effective July 1, 2000. As a result of this final amendment no new Town employees (excludes BOE employees covered by the Teacher's Retirement Fund) were eligible to participate in the plan. As part of the amendment, participants in the DB Plan have the option to be paid out with an annuity or a lump sum. In recent years, all retiring participants have elected the lump sum payout.
Cash Balances:		
Prudential <i>(as of 9/30/2020)</i>	\$654,105	
ICMA Plus <i>(as of 9/30/2020)</i>	<u>\$4,889,099</u> <u>\$5,543,204</u>	Currently, the Town is executing a pay-as-you-go program to manage new retirements. The plan includes 9 active participants, 3 inactive but eligible participants and 18 annuitants.
Funding % - Total	43.8%	
Funding % - DB	7.0%	
Unfunded Liability	(\$7,100,495)	<u>Anticipated retirements:</u> FY21: 1 inactive w/ approx. \$1.2 million payout in April 2021; 3 additional retirements being considered w/ approx. \$4.8 million payout Annual annuity payments & total monthly fees: \$185,000

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ACTIVE CAPITAL PROJECTS

	<u>% Complete*</u>	<u>Project Balance**</u>	<u>Notes</u>
High Road Bridge	100%	\$0	Project is complete. Contractor has been paid. Awaiting final engineering invoice and State audit. After the State audit the Town will reimburse the State for excess amount advanced for the project - actual project cost was less than original estimate. Town has been advised that the State audit may take up to 10 years once the project is closed. Town has reserved for excess funds.
Town Hall Doors/Storefronts	83%	\$7,606	LoCIP reimbursement has been requested of OPM; last phase (change order) includes adding power assist doors to #2 & #3 entrances
Security Vestibules	100%	\$0	Board of Education approved the project; Finance is working with BOE management to secure signoffs and file reimbursement request. Superintendent and Business Manager are only positions permitted to file BOE Construction Project reimbursement request.

* % complete represents invoices received versus total expected project cost - this metric will lag actual construction completion

** Capital projects fund balance includes encumbrances.

2% Account Tracking:

	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Uncommitted Balance</u>	
BLAST Classroom	\$200,000	\$201,308	\$0	(\$1,308)	Complete - all POs closed
Gym Floors	\$117,775	\$117,775	\$0	\$0	Complete - all POs closed
McGee Gym Painting	\$37,225	\$26,650	\$0	\$10,575	Complete - all POs closed
Security Guard Equipment	\$25,000	\$12,661	\$0	\$12,339	BOE Business Manager approved using balance for required modifications to former Police cruiser that will be used by School Security to move between schools. Entire balance may not be necessary.
TOTAL FY2019	<u>\$380,000</u>	<u>\$358,394</u>	<u>\$0</u>	<u>\$21,606</u>	
Hubbard Fire Alarm Upgrades	\$150,000	\$0	\$0	\$150,000	
McGee HVAC Unit #1	\$225,000	\$0	\$0	\$225,000	
TOTAL FY2020	<u>\$375,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$375,000</u>	
TOTAL 2% FUND BALANCE	<u>\$755,000</u>	<u>\$358,394</u>	<u>\$0</u>	<u>\$396,606</u>	

Risks				Opportunities			
Description	Projected Amt.	Probability		Description	Projected Amt.	Probability	
Interest revenue	\$450,000	High		Debt service costs - deferred December 2020 principal *	\$110,000	High	
Parks & Recreation revenue	\$100,000	Medium/High		Position vacancies - Town Planner	TBD	Medium/High	
Pension payouts	\$6,000,000	Medium		Utility savings - COVID-19 (closed Town and/or BOE buildings)	TBD	Medium/Low	
Fall/Winter Storms	\$50,000	Medium					
State budget	\$600,000	Low					
TOTAL	\$7,200,000			TOTAL	\$110,000		

* Net of transfer to cover Eversource tax lawsuit settlement.