



Town of Madison, CT

Board of Finance

Draft

Minutes of a regular meeting of the Board of Finance held on June 16, 2021, 7:00 p.m.
Madison Town Campus and via Zoom Online Platform

Present: Jean Fitzgerald, Filmore McPherson, Justin Murphy and John Picard,
Judith Friedman (via teleconference)

Also present: Peggy Lyons, First Selectwoman; Stacy Nobitz, Finance Director; Kristen Barstoic, Supervisor Accounting Management; John Iennaco, Director of Public Works; Becky Setman, Milliman

Ms. Fitzgerald called the meeting to order at 7:30 p.m.

REGULAR SESSION

1. Pledge of Allegiance. The Board of Finance and members of the audience stood and recited the Pledge of Allegiance.
2. Approval of minutes – May 19, 2021. On motion made by Mr. McPherson, and seconded by Mr. Murphy, the Board voted to approve the minutes of the regular meeting of May 19, 2021 are submitted. Ms. Fitzgerald, Mr. Murphy, Mr. McPherson and Mr. Picard voted in favor of the motion and Ms. Friedman abstained.
3. Chairman’s comments. There were no Chairman’s comments.
4. Citizen and Finance member comments. There were no citizen or Finance member comments.

NEW BUSINESS

5. Discuss and take-action to appoint Auditors for the Town of Madison, 2021-2022 FY. On motion made by Mr. McPherson, and seconded by Mr. Murphy, the Board voted unanimously to accept the proposal from Mahoney Sabol CPA and Advisors to serve as the Town of Madison Auditors for FY 2021-22 for a fee of \$48,000.

Ms. Nobitz noted the Mahoney Sabol has been the Town Auditor for the past 4 years, which is when the Town last went out to bid. The Board can discuss going out to bid

again next year. She also noted that the \$48,000 fee is a 2% increase over the fee for last year's audit.

6. Discuss Town Pension and OPEB options with Milliman Actuarial Consulting.

A motion was made by Mr. McPherson, and seconded by Mr. Picard, to approve a special appropriation of \$1 million from fund balance to the Pension as an additional contribution

Ms. Setman provided the Board members with a chart that showed the cost impact of an additional \$1 million contribution to the Retirement Plan for the Employees of the Town of Madison. The chart highlighted the Long-Range Forecast of Actuarially Determined Contribution from the July 1, 2020 Valuation, the long-Range Forecast Reflecting Additional \$1 Million Contribution Accrued at July 1, 2020, and the Change in the Town's Annual Cost for the period FY 2021-22 through 2040-41. The chart showed that if the \$1 million is infused into the Pension, then, down the line, less taxpayer money needs to be contributed annually, providing a savings which will be better for the budget in the long run. One advantage is that the invested dollars will be working making income which will be added to the account.

Mr. McPherson noted that the chart shows that, with the \$1 million infusion, a total of \$2.1 million less will be required in the annual budget over the next 20 years. He pointed out that the pension became closed to new employees as of 2013 and for Board of Education employees in 2019 so there are no more new additions to this liability. Ms. Setman noted that the analysis considered that the pension is now closed but noted that this does not impact the analysis. In 20 years, the Town will still pay \$2.1 million less but the regular contribution will most likely be reduced as employees leave the Pension Plan.

Mr. Picard commented that he supports moving forward with this \$1 million appropriation.

In response to a question, Mr. Murphy was advised that this item would not be eligible for American Rescue Plan funds.

In response to a question by Ms. Friedman, Ms. Setman noted that the current funding level of the pension is 65% which is in line with other towns the same size. There are other towns that are higher and others that are lower than Madison. She noted that in 2011 the percentage was higher. Many municipalities have been facing issues and have had mixed years that impacted their plans. Over the years since 2011, efforts being made and additional funds included in the budget have helped to bring the fund back up to a reasonable expectation. In general, liability has grown greater than growth.

Ms. Friedman noted that she is in favor of the infusion and believes the \$1 million will have a beneficial effect in the long run. She is concerned about the account going down to 65% over the past 10 years and suggested that the Town continue to take steps that could improve the percentage moving forward.

Mr. McPherson noted that a number of years ago the Board was advised that there were new actuarial tables for municipal workers since they are now living longer. This had the impact of dropping the Town a few points.

In response to a question by Ms. Fitzgerald, Ms. Setman noted that it would be better to infuse the \$1 million in the current fiscal year rather than wait until after July 1.

After discussion the Board voted on the motion made by Mr. McPherson, and seconded by Mr. Picard, to approve a special appropriation of \$1 million from fund balance to the Pension as an additional contribution. The motion was unanimously approved.

Ms. Setman explained that, while the Town has been setting aside funds for the Pension Plan, a plan has not been in place to set aside funds for Other Post Employment Benefits (OPEB), which is primarily for the cost of medical benefits. Ms. Setman listed the following reasons that an OPEB account would be beneficial:

- An OPEB account would allow the Town to gradually correct the need for funding for this purpose
- Funds set aside will earn more investment income in the long-term, saving taxpayer dollars
- Rating agencies will look favorably at the efforts of the Town to fund this liability
- The rating agencies will look at the funding and use a modified bond rating and can use a higher interest rate assumption

By not moving forward with a Trust Fund the Town would end up be paying a higher cost in the long run as it continues paying for this cost as needed. Setting up the Trust will require a budget item that will go from 0 to the selected amount. If a decision is made to move forward, the Town will need to adopt an ordinance creating the trust. The service provider for the Pension will be able to help with the necessary process to set up and manage the trust.

Mr. McPherson estimated that the current liability for OPEB is \$22 million and setting up the trust could bring this figure down to \$10 million. Ms. Setman noted that this reduction would occur gradually.

Mr. McPherson questioned the impact on the current Health Insurance budget since both current and retired employees are covered under this account. Medical bills are not defined like the Pension so it is uncertain what the obligation would be to cover bills in a specific year. Ms. Nobitz and Ms. Setman agreed to work on the development of this figure.

Mr. Murphy noted that the Health Insurance benefits are currently not set-up to sunset like the pension so this account would be needed as long as this benefit is offered.

Ms. Fitzgerald suggested that the establishment of an OPEB Trust be included on the agenda for the July meeting for discussion and consideration.

7. Discuss and take-action to approve a Special Appropriation request from the Public Works Department in the amount of \$600,000 to fund the Major Roads Paving account: pending Town Meeting approval. A motion was made by Mr. Murphy, and seconded by Mr. McPherson, to approve the request of the Public Works Department for a special appropriation of \$600,000 from Fund Balance to Account #PW00600-57105, Major Roads, for a deficit caused by two bridge replacement projects, pending Town Meeting approval.

Mr. Iennaco, was present to request a special appropriation of \$600,000 for the Major Roads Paving Account to provide funds for a deficit caused by two bridge replacement projects. The estimated cost for both bridges is \$1.8 million and a request for funds for the bridges had been submitted under CIP. However, \$600,000 of these funds were needed for roads, that were originally scheduled for work in a future budget, but had to be moved up in the schedule due to deterioration. In June a grant was received toward the bridge work but there is still a shortfall. With the \$600,000 special appropriation the Department will be able to stay on schedule for both the road and bridge work. and will allow the Town to stay on schedule with the recently completed Road Study recommendations.

In response to a question by Mr. Murphy, First Selectwoman Lyons noted that the American Rescue Funds could not be used for these bridges since only sewer and broadband infrastructure projects are allowed. She will be outlining the guidelines for the American Rescue Plan funds under Item #11 below. She noted that a plan for a list of projects for the \$5.3 million ARF grant is being developed, but noted that it is possible that funds directed to infrastructure could be coming under another program. Mr. Murphy requested that clarification be provided to confirm that these bridge project would not be eligible. Ms. Nobitz noted that the State has indicated that it will not provide approval of specific projects included in a town's plan. Mr. Murphy suggested that these

projects be included in the plan with an understanding that if they are not approved, the Town would use fund balance to provide the necessary funding and he suggested that the motion be amended to include this language. Ms. Nobitz noted that this item would have to go back to the Board of Selectmen for action if the motion is amended since they had already approved the special appropriation as worded above.

After discussion the Board voted on the motion made by Mr. Murphy, and seconded by Mr. McPherson, to approve the request of the Public Works Department for a special appropriation of \$600,000 from Fund Balance to Account #PW00600-57105, Major Roads, for a deficit caused by two bridge replacement projects, pending Town Meeting approval. The motion was approved with Ms. Fitzgerald, Mr. McPherson, Mr. Picard and Ms. Friedman voting in favor and Mr. Murphy opposed.

8. Discuss and take-action to approve a Special Appropriation request from the Police Department in the amount of \$19,000 to fund the Special Duty Pay account; pending Town Meeting approval. On motion made by Mr. Picard, and seconded by Mr. McPherson, the Board voted unanimously to approve the request of Police Services for a special appropriation of \$90,295 from Fund Balance to Account #PD6500a/51319, Special Duty Pay, to cover additional services to outside vendors working in Town, pending Town Meeting approval and with an understanding that vendors are billed for the services and revenue is recorded.

9. Discuss and take-action to approve a Special Appropriation request from the Beach & Recreation Department in the amount of \$19,000 to fund 6 Big Belly trash receptacles and pads in the Downtown business area. On motion made by Mr. McPherson, and seconded by Mr. Murphy, the Board voted unanimously to approve the request of the Beach & Recreation Department for a special appropriation of \$19,000 from Fund Balance to Account #BR55200A 54210, Downtown Trash Removal, to fund 6 big belly trash receptacles and foundation pads to allow for removal of downtown trash from the refuse removal contract.

Ms. Nobitz noted that this item is included on the list of ARP projects so if the application is approved ARP funds can reimburse the fund balance.

10. Discuss and take-action to approve routine Line Item Transfers totaling \$180,616.31: \$27,616.31 as approved by the Board of Selectmen and \$152,683.94 pending Board of Selectmen approval. On motion made by Mr. Murphy, and seconded by Ms. Fitzgerald, the Board voted unanimously to approve Line Transfers totaling \$180,616.31 - \$27,932.37 as approved by the Board of Selectmen and \$152,683.94 pending Board of Selectmen approval

On motion made by McPherson, and seconded by Mr. Murphy, the Board voted unanimously to open the agenda to add Item 10a, approve accepting American Rescue Plan Funding in the amount of \$5,335,989.07; with \$2,667,994.54 representing one-half of the total funding to be received by June 30, 2021.

On motion made by Mr. McPherson, and seconded by Mr. Picard, the Board voted unanimously to approve accepting American Rescue Plan Funding in the amount of \$5,335,989.07; with \$2,667,994.54 representing one-half of the total funding to be received by June 30, 2021.

11. Review American Rescue Plan Funding. First Selectwoman Lyons noted that the Selectmen's Office is working with the Long-Term Recovery Committee to develop a plan for use of the \$5,335,989.07 in funds Madison will receive under the American Rescue Plan. Samples of guidelines for use of the funds include:

- Support for the pandemic response
- Addresses the economic impact of the public health emergency
- Serves the hardest hit families and communities
- Premium pay for essential workers
- Investment in water and sewer services
- Investment in Broadband
- Back-up on how Covid actually impacted the community and how proposed projects will address these impacts
- Projects that that address community support, economic development and the arts and culture

First Selectwoman Lyons reviewed the timeline for the grant which provides for Phase I of the program to provide funds in June to jumpstart the programs, Phase II to provide funds in August to address immediate needs and Phase III to provide funds in October to address long term projects.

First Selectwoman Lyons reviewed the approval process for the Plan which includes the Long-Term Recovery Committee, Board of Selectmen, a public hearing, Board of Finance review and a Town Meeting to act on changes to CIP. The Board of Finance members agreed that the Board of Finance should have an opportunity to review and approve the full plan, not just items that would have an impact on future budgets.

The Board of Finance members indicated their support for the American Rescue Plan planning effort as reviewed by First Selectwoman Lyons.

12. Discuss and take-action to approve the American Rescue Plan Round I projects and services schedule; total expenditures not to exceed \$75,009.00. On motion made by Mr. Murphy, and seconded by Mr. McPherson, the Board voted unanimously to approve the American Rescue Plan Round I projects and services schedule with the total expenditures not to exceed \$75,000.00.

13. Review of Financials. Ms. Nobitz noted that she had provided the Board with an updated Fund Balance projection.

14. Liaison Reports and Report from First Selectman. First Selectwoman Lyons noted that she will be bringing an item to the Board of Selectmen for \$24,000 for a Public Health Department item.

Sam DeBurra was congratulated on being recognized as Chamber of Commerce Citizen of the Year for his tireless work for the Fire Department especially during the pandemic. Madison overall made out well during the past year partially due to the efforts of Fire Marshal DeBurra and the members of the Fire Department.

15. Citizen comments. There were no citizen comments.

16. Adjourn. On motion made by Mr. Murphy, and seconded by Mr. McPherson, the Board voted unanimously to adjourn the meeting at 8:35 p.m.

Terry Holland-Buckley
Clerk