

Town of Willington

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BOARD OF FINANCE

Special Meeting Minutes
Via Public Online Video Conference

January 14, 2021
7:00 PM

**Minutes are not official until approved at the next regular meeting*

Members Present (a quorum of 4 members is required to conduct business):

Mike Makuch – Chairman
Geoff Prusak – Vice Chairman
Pete Tanaka – Secretary
Stef Summers
Matt Clark
Christina Mailhos
Lisa Woolf – Alternate

Members Absent:

Mike Perry – Alternate

Also Present:

First Selectwoman Erika Wiececki
Members of the Public

Chairman Mike Makuch called the meeting to order at 7:05pm.

PRESENT TO SPEAK

Jim Bulick of 12 Laurel Dr. stated: I want to emphasize that this guidance letter that goes out to the various boards, committees, and town departments is an important first step of the budget process. It's important that the board takes the time to review the local economic situation, review the grand list to figure out what it's doing, and where we stand with our anticipated revenues from the state of Connecticut. The Board still has plenty of time to do this; please take the time to debate this and go through this. The Grand List probably flat, the state is probably signaling they'll give us the money we're looking for, inflation is running around 2%, and there are a lot of people out of work at this time for various COVID situations.

Jim Bulick continued that the Board recently set its budget calendar and Stef Summers and Matt Clark noted that they can't attend the public hearing on April 6. It's very important for the board to hear feedback from the public and he strongly recommends the Board try to change that meeting. He suggested moving it back to Thursday, April 1 so everyone can attend.

Peter Latincsics of 97 Trask Rd. stated: I want to applaud the board for taking the steps to provide this guidance letter to the budget groups. I also want to emphasize that it's especially

important this year because of the deep economic recession we're in as a result of the pandemic. Many Willington residents and businesses are not experiencing increases at all, in fact, most people that have lost their businesses or their jobs are experiencing 100% decreases. No-one is suggesting that in your budget, but it's something worth contemplating. Aside from people experiencing 100% decreases are even more people who have experienced furloughs ranging from 10-75% because businesses are at half capacity or less. Those people are also experiencing huge decreases. I strongly ask that you consider our residents' situation and not have increases in the town budget. That would seem like a victory to me.

Peter Latinsics continued that, in the global corporation I work for, last year no one expected us to meet plan or stockholder expectations. That year has ended, and now we are expected to return to normalcy even though the economy hasn't done that, so the corporation is planning large-scale reductions in its workforce because we are not meeting shareholder expectations. I don't think we're coming out of the recession this year; the prognosis is grim, and I strongly encourage you to consider that in your deliberations.

NEW BUSINESS

1) Guidance letter to budget submitting organizations (Attachment #1, #2)

Chairman Makuch summarized that Board members received a draft letter which was an updated version of last year's letter, which led to Board members expressing interest in meeting about this topic. The special meeting was called because budget season is quickly approaching.

Matt Clark commented that the letter is already late, so it only picks up one week by pushing it to the regularly scheduled meeting. He thinks the Board has to give this letter the time, attention, and debate that it deserves since it includes nothing in terms of budget level expectations. He thinks guidance should be based on economics and the current situation, and he thinks that's better done in the regularly scheduled meeting when everyone has had a chance to prepare, instead of trying to get this out quickly. In his 35 years of experience in business, rushing to get things done never works out and it is better to take a measured approach.

Matt Clark made a motion to table discussion and approval of the Board of Finance guidance letter to budgetary authorities in the Town of Willington until the regularly scheduled meeting on January 21, 2021.

Geoff Prusak seconded the motion.

Chairman Makuch explained that this letter is a process the Board of Finance does every year. He agrees that it deserves careful deliberation. Regardless of what is in the letter, people will submit what they submit, and then the Board will spend the rest of the budget season discussing these topics. The letter has been on the Board's radar since last week's email, and this meeting was called for the purpose of discussing this letter, so he feels it should be done tonight.

Stef commented that the Board should at least begin the conversation tonight, because there's a lot to discuss. She is also concerned about delivering guidance right at the time of deadline, as that could throw the schedule off pretty easily. The first presenters are coming before the Board on February 4, and the Board is asking them to deliver their budgets a week ahead, which is January 28th. If the letter is pushed to the January 21 meeting, they'd be getting less than a week

to react, which doesn't work from a project management standpoint. She understands Matt's concerns and there may be information the Board needs to consider, but she thinks the Board should progress and get issues on the table when there will be other issues to discuss at the meeting on January 21.

Matt commented that the budget schedule can be adjusted; it would be better to do that than to cram this in and make a decision tonight.

Geoff Prusak inquired what other topics are pending for the meeting on the 21st. Chairman Makuch replied, as of yet, there is nothing new outside of topics of discussion requested by board members, but that those requests from outside of the Board typically come in the last few days before the meeting.

Pete Tanaka commented that he agrees with Matt that this is probably something the Board should table, but he is not sure it should be tabled at this point. He would like to start the discussion tonight at least and see if the Board reaches a point where everyone is comfortable with a decision or not. If the discussion isn't completed tonight, then the Board can table it to resume at the next meeting.

Matt Clark withdrew the motion.

Chairman Makuch summarized that the letter has been done different ways, with a percentage recommendation being one example. He recalled that the Board decided not to do that last year because there were so many unknowns. The draft letter for this year copied the same guidance, as the state is still late on getting projections out. The board needs to figure out whether to give more generic or specific guidance, and, if specific, what to recommend, keeping in mind people are going to submit what they submit.

Matt suggested the Board provide a financial parameter or financial guidance for what it thinks is appropriate for different departments in town. He explained that he watched video of the Public Works department presentation to the Board of Selectmen asking for a 20% increase. Without guidance, that's what everyone will do and that's not appropriate. He shared that he was ready to present data from the Connecticut Council of Municipalities and Professor of Economics and Finance at UConn, outlining the dire situation our economy is in.

Matt presented the Powerpoint presentation he compiled (**Attachment #1**).

Chairman Makuch commented that he has seen similar information to what was shared in the presentation and thinks that understanding what the state might bring is critical because it has a huge impact on the budget. The next couple of months will show how collection is going as far as the January tax installment, including the potential delay on payments up to April 1. He recalled that Willington has done well with tax collection rate so far this year.

Chairman Makuch shared that houses are continuing to sell well in Willington and that, for a period of a few days recently, there were no residential properties on the Multiple Listing Service available in Willington, which usually averages around 20 available, so that is some local

encouraging news. He continued that businesses appear to be hanging on, but there isn't a good way to capture data on furloughed employees, consulting jobs and self-employed. He shared that his consulting work is picking up, mostly from private financing and organizations, compared to last year when most of their work was for public organizations.

Chairman Makuch continued that as far as the condition of Willington's current budget, reports received from Treasurer Laurie Semprebon and Business Manager Donna Latincsics were sent to the board prior to the meeting.

The board discussed how to read the Treasurer's report. Stef clarified that the report shows the town has received 64% of projected property tax revenue and 60% of overall revenues based on projections at this point, which is halfway through the year. She commented that revenues seem to be tracking pretty well, though there is no mid-year-over-year comparison to be sure.

Pete Tanaka inquired whether there is an Executive Order about whether the town will be voting on this budget or not, since last year's budget was completed without the referendum due to the pandemic. He believes that would affect what the board should give for guidance; if the town has no say in the end, we should strive as hard as we can to get to 0.

Selectwoman Wiczenski replied that there is nothing formal yet, but that question has been a topic in last two Governor's calls. What they heard yesterday was while they may make some caveats and changes, the goal is to try, as best as possible, to have in-person voting, since it was possible for the Presidential election in November. There may be a hybrid option to go with that.

Matt shared that he called the Town Assessor, Walter Topliff Jr. and asked him what the expectations are for the Grand List moving forward. Walter indicated to Matt that his reports are due after the end of January and the next Board of Finance meeting, but that he thinks it's going to be flat.

Matt shared that he also called Treasurer Laurie Semprebon to inquire whether Willington is anticipating changes in state reimbursements and she indicated to him that there are no changes anticipated.

Geoff commented that from the Treasurer's report, the percentage of property taxes already in sounds rosy, but that many of those taxes are automatically paid as long as people are paying their mortgages. He wondered about the people who have stopped paying mortgages or pay their taxes on their own.

Chairman Makuch replied that we may learn more as many mortgage companies wait until the end of the month to pay. When the delay was offered from July to October, most of the collection came in before the end of the 3 months, so hopefully that holds true for this delay as well. He commented that, similar to the Board of Education Minimum Budget Requirements, the board will have to do some of this on best guesses.

Geoff commented that, in terms of economic forecast, the economy is going to be stagnant at best, but we won't see economic growth. For small business owners, there is uncertainty and no

incentive to grow or hire. As much money as was pumped into economy is going to have to be paid back eventually, so we're going to see inflation. For anyone self-employed, tax deductions are going to start going away, and that's a big thing to think about.

Pete inquired if this is a year we renegotiate contracts for town employees. Chairman Makuch confirmed, recalling a 1-year Memorandum of Understanding that extended the town employees' 2% raise last year, which puts the need to address that expiring contract this year.

Pete commented that the town employee contract increase may come into the equation; though most people in the private sector are having their pay remain flat or decreasing, many people in the public sector doesn't see that as a reality or an option. The board may have to take some percentage over current pay into account for budgeting purposes. Pete continued that he thinks the Board should be striving for 0 in the first year of the contract, but he doesn't know if that's a reality or not.

Matt commented that he believes that accounting for those funds sends a clear signal and that will end up being what people ask for.

Stef inquired about the status of the education union contracts. The board could not recall how many years remain.

Stef commented that the board should consider the impact of the minimum wage increase. Geoff added that that was another thing business owners would be concerned with.

Chairman Makuch noted that in a document received from Business Manager Donna Latincsics, the fund balance is at 14.9%, which is \$533,000 over the Board's policy-driven 12% cap.

Pete commented that he wants to make sure we don't just spend it because we have it. Residents were overtaxed based on the Governor promising towns would have to pay teacher retirement benefits. When that didn't end up happening, we didn't give taxpayers their money back or cut the mil rate, so he wants to make sure the board doesn't see this as a jackpot and adding to it from here. He would like to see the board reduce that through as a tax cut rather than spend it. Matt agreed with Pete's comment.

Chairman Makuch recalled that the board applied \$600,000 back into this year's budget which allowed for unstoppable expenses such as the 2% raises while also allowing for a slight reduction in taxation. He agreed that having more money in there means it isn't being spent in the right places or residents are being taxed too much; the particulars are up to interpretation.

Stef gave her opinion that the Board should consider the state of the capital budget and capital spending programs, which has flat lined at \$500,000. There are some projects on the table that have been there for several years which are bad ones to have hanging. She shared that the Board previously agreed to make up for the flat lining of the pool of money and talked about going up to \$550,000 or \$600,000 but then pulled back on it this year. She recognized the need for balance in how the money is being spent, but thinks that that is part of a health fiscal plan for a town and

that some of that fund balance needs to address the capital budget. Stef pointed out that that is one of the few ways to stimulate the local economy.

Christina Mailhos commented that, in looking at the budget calendar, March 4 is when the revenue presenters will come before the board. Right now the board can look at the direction things are headed, but won't know as much as on March 4. The reason the board has the revenue projection after hearing all the requests is because that's when they get all the details from the Treasurer and Business Manager.

Stef recalled that departments sometimes propose taking on more work, such as Public Works adding more road repair or tree trimming, which is a growth in town services. These items almost need to be presented as a separate program and related budget expenses need to be factored in. In the Public Works example, adding a vehicle to the fleet requires adding a driver and associated personnel costs. Stef suggested adding guidance to the letter so the budgeting process takes the full scope of these additions between departments into account.

Matt agreed, and added that in business budgeting settings, people provide written explanations and rationales for why they're doing what they're doing. The Board of Finance gets many verbal explanations, but not written, which presents a challenge to remember through the budget process.

Stef elaborated that it speaks to why departments are doing what they're done and how fast. In some cases, maybe it is a growth area in town that needs to happen, so the Board needs that outlined. She recalled how the Registrars detailed each point during their last budget presentation.

Chairman Makuch summarized, clarified, and made suggested alterations to the draft letter. Discussion was held on the easiest format for the board to understand.

Matt suggested that the letter direct organizations toward a 0% increase.

Lisa Woolf commented that all the ideas the board is hearing are terrific and that everyone on the Board truly has the town's best interest at heart. In her opinion, the presentation Matt is requesting is business oriented where every line item matters. During budget season, the Board of Finance hears different department budgets each week and what's missing is a roundtable of the different departments of the town. Were there ever conversations held about departments sharing resources, or is that just not possible because we're dealing with a \$17 million budget and there's only so much to go around.

Lisa continued that to look at the budget from a business point of view, that looks at spend down. The biggest chunk of Willington's budget is the teacher labor, their benefits, and the town labor. Year after year, it's difficult to affect.

Lisa clarified that she received an answer on the earlier question about teacher's contracts that the summer of 2021 is the year that the teacher's union negotiates and that the bus contract will be done before that.

Lisa concluded that while it's important to dig down, the Board all know this is a COVID year and that people are struggling. In her opinion, maybe the people of Willington are better off because we've never had an excessive budget and live within our means. Maybe this is a year to support our people and continue responsible growth.

Matt disagreed with Lisa and expressed that he thinks it would be irresponsible to increase spending in the worst economy of his lifetime.

Stef asked Selectwoman Wiecenski for an update on local unemployment figures.

Selectwoman Wiecenski shared that the figures typically come out the third Friday of the month, so are not yet available. November had Willington at 5.7% which represented 211 people unemployed.

Chairman Makuch commented that the employment numbers for December may not look bad because of a short bubble of seasonal workers, but that those numbers will be gone in January.

Pete commented that the rate of returns on property taxes reflects not only the health of the economy, but the fact that, if you don't pay your taxes, there are severe consequences that a lot of people are looking to avoid regardless of their financial solubility. Therefore, he is not sure if tax payment rate is a one-to-one indicator of how well the town is doing.

Pete suggested the guidance letter include direction for people to prioritize their budgets instead of approaching the BOF asking what the Board thinks should be cut. If the town can't fund the department at the level that they're asking, he hopes departments know their priorities.

Chairman Makuch commented that, while the guidance is critical, the Board should expect to receive a range of requests inside and outside of the guidance, which is why it'll be important to ask for the justifications. Pete agreed and added that, if the board doesn't give the guidance in the first place, then there's no foundation to stand on.

Stef expressed that she doesn't want the guidance to say something across the board like "no-growth budget", though she is conscious of the fact that some people may be out of touch with how much growth could be sustainable. Stef suggested wording such as "unless you have unforeseen circumstances that we need to know about, don't come with more than 5% growth in your request". She commented that the board is already dealing with minimum wage impact and contract negotiations, but wants to keep the door open for people to say "this would be a smart thing to do to add this expense" or "I have growth here that I can't control" and go from there. In this year, if someone comes to the Board with a 12% budget increase for services that are more or less the same, that's unrealistic. Lisa suggested the wording could include "self-sustaining".

Chairman Makuch recognized a challenge with using percentages because if the Board puts a cap based on percentage, perhaps departments who might've come in under that increase their request to meet the cap. Matt agreed and suggested the wording "flat spending" or "no increase".

Stef summarized that she just doesn't think the letter should say "no growth whatsoever" because if there's a good reason for growth, or it'll save money down the road, she wants the board to hear about it. Lisa noted that growth could come from regulation or wage increases too.

Discussion was held on the specific wording of the guidance letter.

Stef commented that she doesn't want people to misunderstand "flat spending" and think that they have to make up for a required 2% increase in contracts or similar situation somewhere else in their budget. Pete replied that he thinks "flat spending" is exactly what the guidance letter is trying to say. Including the line asking people to justify any increase will cover those situations.

Christina suggested that attached explanations should include any calculations so the Board doesn't have to do those figures themselves.

Chairman Makuch included Geoff's edited version of the bottom two paragraphs of the draft letter which included similar sentiments with better wording.

**Matt Clark made a motion to accept the letter as crafted.
Stef Summers seconded the motion.**

The letter was reviewed in its entirety.

Vote: 6 Yes (S. Summers, G. Prusak, P. Tanaka, C. Mailhos, M. Clark, M. Makuch), 0 No

PRESENT TO SPEAK

No-one present to speak.

GOOD & WELFARE

Chairman Makuch stated: we have a way to go in the pandemic. People are getting vaccinated but there is a long way to go and positivity rates are higher these days. I encourage everyone to be careful, keep yourself healthy for this budget season since we need everyone at all of these meetings. Thank you as always for figuring out how to work it out and bring all of our different points of view together.

Pete Tanaka made a motion to adjourn the meeting at 8:33pm.

Matt Clark seconded the motion.

Vote: 6 Yes (G. Prusak, P. Tanaka, C. Mailhos, M. Clark, S. Summers, M. Makuch), 0 No.

Respectfully submitted,
Marysa Semprebon
Recording Secretary

Economic Situation and Outlook

Matt Clark
MClark@Willingtonct.org
January 14, 2020

Unemployment

U.S. Unemployment Claims Rise as Pandemic Weighs on Economy

Initial claims for benefits jumped to nearly one million last week as coronavirus surge triggers layoffs
WSJ, 1/14/21

Unemployment rate is 8.2%,

Connecticut Department of Labor Commissioner Kurt Westby said the federal Bureau of Labor Statistics estimates the state's unemployment rate is **8.2%**, up from 6.1% in October and this reflects the impact that increased COVID-19 infections are having on the state's economy and the workforce.
Press Release, Dec 17, 2020

-
- Unemployment is concentrated among low-income populations such as services, hospitality, restaurant. These are the people that can least afford to be unemployed.

OFA Fiscal Accountability Report

"Large Deficits Deplete \$3 Billion Budget Reserve Fund (BRF) in Three Years"

"The pandemic recession will adversely impact the state budget for years to come. OFA is projecting General Fund deficits of more than \$2 billion in each of the next three fiscal years. While the current balance in the BRF is \$3,012.9 million, the highest ever, the BRF is projected to be almost entirely depleted by the end of FY 22, absent mitigating action"

"FY 21 UPDATE"

"Despite FY 20 ending with a surplus, an historic economic downturn continues to impact the state's economy. November consensus revenue downgraded projections by \$1,415.3 million from budget. Although this is partially offset by projected expenditures a net \$394.6 million below budget, OFA is projecting a FY 21 deficit of \$854.5 million"

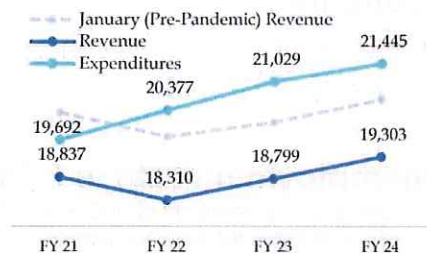
OFA Fiscal Accountability Report

"General Fund – FY 22 to FY 24 Projections"

"GENERAL FUND OUT OF BALANCE IN THE OUT-YEARS"

"The pandemic-induced downturn continues to negatively impact the General Fund in the outyears. Without adjustment, OFA projects General Fund budget deficits of \$2,067 million in FY 22, \$2,230.4 million in FY 23, and \$2,142 million in FY 24"

Figure 3.1 Revenue and Unadjusted Expenditures¹
In Millions of Dollars



¹Changes in expenditures are limited to fixed cost accounts, excluding non-fixed cost reductions, as shown in Table 3.1.

CCM Economic Outlook

Press [Esc] to exit full screen

Whither Connecticut?
**The State's Economic Future & Implications
 for Business, Government, and Residents**

- ▶ Fred V. Carstensen
- ▶ Professor of Finance and Economics
- ▶ Director, Connecticut Center for Economic Analysis
- ▶ University of Connecticut

- We have flat lined in Connecticut
- Shrank 9.1% since 2008. Never recovered in terms of jobs
- You want a new school... new fire truck... if the state doesn't have economic growth, it's not going to have the resources to pay for new schools or new fire trucks
- Covid 19 long range forecast. Very unclear about where we are headed
- Yesterday we had 853,000 initial unemployment claims. That's an increase of over 100,000 (3 weeks old)

CCM Economic Outlook

Press [Esc] to exit full screen

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- This is pretty dire. We think it's very possible that Connecticut will not recover significantly for a decade. We are looking at that kind of long-term challenge
- Data is based on OPM and OFA
- Jobs added since 2008 have been in low wage hospitality, services, and distribution, not finance, manufacturing, or information technology

CCM Economic Outlook

▶ ECONOMIC GROWTH RATES OF PROJECTED TAX REVENUES

▶ As Estimated by OPM Based Upon the November 10, 2020
Consensus Revenue Forecast (Percentage Change Over Prior Year)

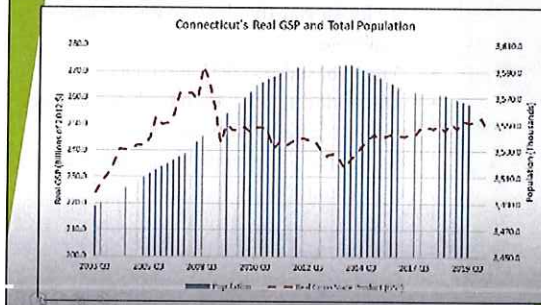
	FY2021	FY2022	FY2023	FY2024
▶ PERSONAL INC TAX	-1.7	3.7	5.0	3.0
▶ ESTIMATES & FINAL	-13.1	0.0	3.0	4.5
▶ SALES	-2.9	4.2	2.5	2.5

▶ THIS ASSUMES UNDERLYING ECONOMIC GROWTH AT LEAST MATCHING THE REVENUE GROWTH. PRE-PANDEMIC, MOST FORECASTS ANTICIPATED SLOWING NATIONAL GROWTH.

- These suggest strong growth. I have asked OPM and OFA to share with me their underlying economic forecasts. They have not done so. I am going to continuing asking for the underlying assumptions because these numbers do not make sense

CCM Economic Outlook

"Economic growth rates are defined as baseline revenue growth prior to any state policy changes. *Absent a recession, these growth rates remain conservative and well below growth experienced in prior recoveries.*" But CONNECTICUT DID NOT RECOVER AFTER 2008.



- We have had the worst economic performance of any state since 2008. GDP shrank for 7 years. We got creamed
- Connecticut never got engaged in the data driven, digitally depending modern economy
- There are no data centers in Connecticut. Trunk lines go through our state but there's no off ramp
- We have flat lined in Connecticut

CCM Economic Outlook

Projected Deficits FY21-24				
	FY2021	FY2022	FY2023	FY2024
Unadjusted Balances:	\$854.5	\$2,067.0	\$2,230.4	\$2,142.0
Aggregate Deficits	<u>\$7,293.9</u>			
	Rainy-Day: ca. \$3,000			

OFA & OPM both minimize future expenditures and likely overstate revenue:

This is an optimistic projection

- These are optimistic projections. They are minimizing expenditures and maximizing revenue. I think aggregate deficits could be \$10 billion
- Tax receipts this year were impacted by early stock selling and a flight to cash. People sold everything. There is virtually no chance we will get capital gains revenue like this in coming years
- These are as rosy as it gets and it still looks bad
- We have an economy that has been shrinking at a .5% compound rate each year

Conclusions?

- We can not assume we will be getting the same levels of transfer payments from the state
- Connecticut's economy is stagnant (best case) and likely to remain that way
- We need to be very, very careful about taxation and about spending

January 14, 2021

To: All Town of Willington Boards, Commissions, Department Heads, Elected Officials, Region 19 Willington Board Members, and Region 19 Superintendent

From: Town of Willington Board of Finance

Re: Willington 2021-2022 (Fiscal Year 2022) budget preparation guidance

Dear Elected Officials, Superintendents, Department Heads, Boards, and Commissions:

As we enter budget season, the Board of Finance would like to provide guidance for the FY 2022 budget submissions. The Board of Finance is requesting the following:

1. The Board of Finance is requesting a budget with 0% increase over the current fiscal year, and that any increases over the current fiscal year are explained specifically, and in writing.
2. Note in your budget request any significant costs that are mandated such as contractual employee costs, compliance required costs, etc.
3. Note any significant risks to your budget such as salary negotiations underway or pending, COVID-19 costs, etc in the FY22 budget year.
4. Prepare to justify and defend your budget request, noting the presentation dates on the Board of Finance budget calendar.
5. Prepare to specifically justify any new spending that could lead to savings.
6. Prepare to specifically justify any new spending that could lead to an increase in another area.
7. Please submit your budget request at least 1 week previous to the date of presentation.

As always, the Board of Finance is aware that budget preparation is challenging, as is the review and approval process. We recognize this even more so as we operate in virtual meeting environments. We have offered, and continue to offer, the board as a resource should you need us.

Transparent and respectful discussions have, and will, serve us well as we work through this budget process. We endeavor to make prudent fiscal decisions for our great Town of Willington.

Sincerely,

MJ Makuch

Michael Makuch
Chairman
Town of Willington Board of Finance

TOWN OF WILLINGTON, CT
Received for record Jan 19, 2021
At 9:02 AM BM
ATC