

TOWN OF MIDDLEBURY

Board of Finance

Board of Selectmen/Board of Finance

Joint Budget Meeting Minutes

Tuesday, April 2, 2024 - 7:00 p.m.

Town Hall Conference Room

Call to Order with Pledge of Allegiance

Mr. Cipriano called the meeting to order with the Pledge of Allegiance at 7:00pm.

Roll Call and Appointment of Alternates

- Board of Selectmen Present:
First Selectman Edward B. St. John
Selectman Jennifer Mahr
Selectman J. Paul Vance
- Board of Finance Present:
Vincent Cipriano, Chairman
John Jenusaitis, Board Member
John Moriarty, Board Member
Rita Smith, Board Member
Brendan Browne, Alt. Board Member
George Flaherty, Jr., Alt. Board Member
- Absent:
Dawn Albizu-Calabrese, Board Member
Stephen Ruccio, Board Member
Natrajan Kuppuraj, Alt. Board Member
- Also Present:
Seth Bernstein, CFO
Marj Needham, Bee Intelligencer
Tracy B. Graziano, Recording Clerk

Board of Finance Chairman Cipriano appointed alternate members Brendan Browne and George Flaherty, Jr. as voting members in place of Dawn Albizu-Calabrese and Stephen Ruccio, respectively.

Declare a Quorum that both Boards are Present

Both Boards achieved a Quorum.

New Business

- FY 2024-2025 Budget Discussion - Mr. St. John opened the budget discussion by offering a clarification regarding the new Early Voting program reimbursement recognized in FY 2023-2024. This was a one-time reimbursement and therefore will not be a budgeted revenue item in FY 2024-2025. He added that the requirements of this program could become very costly in the future.

Ms. Mahr asked Mr. Bernstein to explain the increase in Finance Department Salaries from FY 22-23 Actual, \$154,973.78, to FY 23-24 Adopted Budget, \$249,065. Mr. Bernstein replied that a new personnel position was added to the Finance Department.

Ms. Mahr questioned the Beautification Committee line item of \$1,500 stating that the Town doesn't currently have a Beautification Committee. Mr. Cipriano stated that there are plans in the works to reinstate the Beautification Committee in FY 24-25.

- Vote on the FY 2024-2025 Budget to be presented at a Public Budget Hearing on April 9, 2024
- First Selectman to request motion for the Board of Selectmen to vote on the FY 2024-2025 Budget in the amount of \$13,101,011.60 to be presented at a Public Budget Hearing on April 9, 2024.

Motion made by: Mr. St. John

Seconded by: Mr. Vance

Discussion on the Motion:

Ms. Mahr read a prepared statement detailing her reasons for voting against the FY 2024-2025 Budget and the FY 2024-2025 Proposed Appropriations for Infrastructure/Capital/Reserves into the record (see Appendix 1.a.). Mr. Bernstein commented on Ms. Mahr's statement re: having one budget. Mr. Bernstein stated that putting Capital Projects into the General Fund is not feasible; every municipality has a Capital Fund for capital projects, they are not considered part of the normal operating plan of the Town. Additionally, there are certain laws and regulations that govern these funds that must be adhered to. He added that if the Town's General Fund Balanced Budget increase exceeded the current inflation rate, the Town would lose State Grant Monies at the rate of 50 cents for every dollar over as a penalty for mis-managing the municipality and that could prove catastrophic.

Mr. St. John commented on the FY 2021-22 Capital Projects Budget of \$250,000 versus the FY 2024-25 Proposed \$2,588,000 stating that in 2021-22 the Town bonded most of the Capital Projects because the bonding interest rates were very low. Now that the bonds are mostly paid up, the Town is employing the Pay-As-You-Go method and therefore the budget is going to increase.

Mr. Cipriano directing his comments to Ms. Mahr, addressed the causes of a surplus and how difficult it is to budget for these items. He identified what he feels are three of the main contributors, on the revenue side, to the most recent surplus:

- The collection of back taxes – The former and current tax collectors, Brenda Carter and Cindy Palomba, respectively, have done an amazing job collecting back taxes in recent years.
- Interest Income from Ion Bank – Investment and interest income has been significant in the last two years. This type of income is very difficult to budget.
- The Toll Bros. Project – The Toll Bros. project brought in a significant amount of revenue in the past few years. However, the project is complete so no more revenue is projected.

Mr. Bernstein added that the tax collectors' performance was actually quite an anomaly with the success rate they have had collecting old, unpaid taxes in the last two years and he believes that the amount that's left, approximately two million dollars, is unlikely to be collected. He also commented on the high interest income that has been very beneficial, but there's no way to guarantee the rates won't change.

Mr. Bernstein also commented on the expenditure side stating that last year's expenditures were +/- approximately \$285,000 on a \$12 million budget, which equates to about 2%.

Ms. Mahr, directing her comment to Mr. Bernstein, offered that she did not have the piece of information about losing State grant monies if the general fund budget is increased by a certain amount before tonight. She stated that it makes it sound like they push monies to the Capital Projects just so the general fund won't increase over those amounts. Her concern is where is the restraint in the Capital Projects Fund? Just because you can't put the projects on the general fund page, the net effect to the tax payer is the same, adding that the total picture that they should be telling people is that the increase in spending is 10.7%. Mr. Cipriano asked Ms. Mahr to clarify the 10.7%. She explained that if you take the proposed increase to the general fund plus the difference between last year's capital fund and this year's proposed capital fund, it's 10.7%. Mr. Bernstein countered that they are using monies that are coming in to off-set the projects, plus monies from the Undesignated Fund Balance. He also offered that when monies are put into the general fund, they can be used for anything, within reason, but once funds are earmarked for a Reserve account or Capital Projects, they can not be used for any other purpose. Mr. Cipriano offered that many other towns, successful towns including Southbury, employ the same Pay-As-You-Go strategy. He added that Middlebury's Moody's Rating is very high. And also, the Reserve and Undesignated Funds accounts make it possible to pay for mandatory expenditures such as accreditation and Early Voting, expenditures that the Town has no control over.

Call for Vote: First Selectman Edward J. St. John – Yes
Selectman Jennifer Mahr - No
Selectman J. Paul Vance – Yes

Motion passes by majority.

- Board of Finance Chairman to request motion for the Board of Finance to vote on the FY 2024-2025 Budget in the amount of \$13,101,011.60 to be presented at a Public Budget Hearing on April 9, 2024.

Motion made by: Ms. Smith

Seconded by: Mr. Jenusaitis

Discussion on the Motion: None

Call for Vote: MOTION passes unanimously.

- Board of Finance Chairman to announce result of the two (2) votes.

Chairman Cipriano confirmed that the FY 2024-2025 Budget in the amount of \$13,101,011.60 to be presented at a Public Budget Hearing on April 9, 2024 passed both the Board of Selectman and the Board of Finance.

- FY 2024-2025 proposed appropriations for “PAY AS YOU GO” Infrastructure/Capital/Reserves in the amount of \$2,488,000 to be presented to the public for a vote at the budget referendum to be held on May 8, 2024.
- Discussion – Mr. St. John asked Mr. Bernstein what would the increase actually be on the expenditure side if the proposed Capital Budget (\$2,488,000) was added to the operating budget (General Fund). Mr. Bernstein replied 22%. Mr. St. John added that when you deduct the loss of grant funding from the revenue side and add that to the 22% increase on the expenditure side, the end result would be a staggering amount for the tax payers.
- Vote on the FY 2024-2025 proposed appropriations for “PAY AS YOU GO” Infrastructure/Capital/Reserves in the amount of \$2,488,000 to be presented to the public for a vote at the budget referendum to be held on May 8, 2024.
- First Selectman to request motion for the Board of Selectmen to vote on the FY 2024-2025 proposed appropriations for “PAY AS YOU GO” Infrastructure/Capital/Reserves in the amount of \$2,488,000 to be presented to the public for a vote at the budget referendum to be held on May 8, 2024.

Motion made by: Mr. St. John

Seconded by: Mr. Vance

Discussion on the Motion:

Ms. Mahr expressed her objection, stating that the Board of Selectmen did not meet as a body to discuss the proposed budget or the budget process or have a budget workshop, as per the Town Charter, prior to this vote.

Call for Vote: First Selectman Edward J. St. John – Yes

Selectman Jennifer Mahr - No

Selectman J. Paul Vance – Yes

- Board of Finance Chairman to request motion for the Board of Finance to vote on the FY 2024-2025 proposed appropriations for “PAY AS YOU GO” Infrastructure/Capital/Reserves in the amount of \$2,488,000 to be presented to the public for a vote at the budget referendum to be held on May 8, 2024.

Motion made by: Mr. Jenusaitis

Seconded by: Mr. Browne

Discussion on the Motion: None

Call for Vote: MOTION passes unanimously.

Mr. St. John discussed some of the items in the proposed FY 2024-25 Infrastructure/Capital/Reserves Pay-As-You-Go budgets, including reductions made to the Middlebury Recreation Area renovations. He referred to the Director of Public Works' 5-year Road & Drainage Improvement Plan projection, stating that he thinks the Town needs to stay within the \$900,000 to \$1,000,000 per year and gear expenditures appropriately. He stated that he will go into the Buildings and Town Properties needs in more detail at the Public Hearing, adding that the Town has a very large infrastructure that we need to take care of.

Mr. Cipriano commented that the items/projects listed in the Infrastructure/Capital/Reserves Pay-As-You-Go budgets come from the department heads who determine what they need today, tomorrow and down the road.

Public Comment – Ms. Needham suggested that the Town look into composting toilets for the Middlebury Recreation Area. Mr. St. John stated that the Town will certainly look into it.

Adjournment

Mr. Flaherty made a MOTION to adjourn on behalf of the Board of Finance. Ms. Smith SECONDED. Mr. St. John made a MOTION to adjourn on behalf of the Board of Selectmen. Mr. Vance SECONDED. Both MOTIONS were unanimously passed; the meeting adjourned at 7:43p.m.

Vincent Cipriano
Chairman, Board of Finance

cc: Board of Selectmen
Board of Finance & Alternates
Janine Bowler, Town Treasurer
Town Clerk
Email Notification for Website

Joint BOS/BOF Meeting on 4/2/24

Good evening. I will not be voting for the proposed budget for the following three reasons:

First: The Board of Selectmen has failed to follow its obligations to the Town Charter regarding the budget procedure.

Charter Section 702.B: Board of Selectmen's Duties

The Board of Selectmen and the Chief Financial Officer shall review the budget requests. During or upon completion of the review, but no later than the February meeting of the Board of Finance, the Board of Selectmen shall meet with the Board of Finance to discuss recommended alterations or changes in said budget requests.

The Board of Selectmen has two new members that have never been through a budget cycle, and we were not included in the process to prepare this budget. The First Selectmen reviewed budget requests with the Board of Finance, the Board of Selectmen did not. The Board of Selectmen has spent zero time discussing the proposed General Fund budget or the proposed capital projects budget. I didn't even get a final copy of the budget to review for this meeting. There was little to no supporting information to justify the numbers on the spreadsheet. We have no stated priorities or goals, we have not discussed how or if we can keep the mil rate steady this year, and we have not addressed the elephant in the room, which is why we keep running a surplus each year to the tune of about a million dollars. For the 2023-24 budget, that represents 7.8% of the approved town's portion of the total budget (excluding the Region 15 portion of the budget).

Second: Section 702.C.2.e of the Charter requires not less than 8% of the total annual budget be held as a reserve. That's \$3,294,223 using the 2023-24 budget, and the unassigned fund balance currently is \$5,740,195, which is roughly 74% more reserve than is required. So, despite having a very healthy reserve, underspending last year's budget by \$285,424 and having a surplus of \$1,082,852, this year we're proposing an increase that is going to make the mil rate go up. I think we can do better for the taxpayers.

Third: We should have one budget, with all revenue coming in and all expenditures going out. I have no issue with the concept of “pay as you go” for capital expenditures, but the process we use does not make it easy for voters to track where their taxes go, nor are projects and costs fully identified ahead of time. When voters vote for the General Fund budget, we are representing to them that we need that amount of money to run the town. But we’re consistently not spending our full budget, and we’re drastically underestimating revenue. So the process that is deliberately creating a surplus is overtaxing our citizens. Period.

We then divert revenue that could have supported a lower tax burden on the voters to the capital projects fund, and we mix in some of the money we already overcharged voters, and we act like we’re doing the voters a favor by spending this money outside the General Fund Budget. Increases in this spending are not advertised as a budget increase, even though they are. The Capitol projects budget was \$250,000 in 2021-22, and it’s \$2,588,000 in the proposed 2024-25 budget. That budget grew 10 times in 4 budget cycles, and added to the proposed General Fund budget, our real increase is 10.7% this year, and that’s before the Region 15 budget is added in. Is there no end to this spending? Will it always go up 74% each year? How can a voter distinguish between a want and a need in this budget, and how are we demonstrating any prioritization of projects subject to the burden the taxpayers already face with the General Fund budget?

I could not look a voter in the face and say with confidence that I believe this is a tight, transparent budget that supports a clearly articulated vision for Middlebury while respecting the sacrifices voters make to pay taxes in this town. Therefore, I will be voting no.