

TOWN OF BERLIN
REGULAR BOARD OF FINANCE MEETING
OCTOBER 8, 2024
“Doc” McIntosh Conference Room or Remote Meeting
7:00 P.M.

[https://berlinct-
gov.zoom.us/j/4148724481?pwd=SkpBQmd1U0NoNTF5U0dWTXZGVUhiUT09&omn=85073918600](https://berlinct.gov.zoom.us/j/4148724481?pwd=SkpBQmd1U0NoNTF5U0dWTXZGVUhiUT09&omn=85073918600)

Call-in Option:	1 929 205 6099 United States Toll
Meeting ID:	414 872 4481
Passcode:	539615

A. CALL TO ORDER

B. PLEDGE OF ALLEGIANCE

C. ROLL CALL

D. PUBLIC COMMENTS

E. APPROVAL OF PRIOR MINUTES September 10, 2024, Regular Board of Finance Meeting

F. NEW BUSINESS

1. Move to approve a \$360,000 non-budgeted appropriation of FY25 General Fund Unassigned Fund Balance and appropriate the funds to the Farmington Avenue Non-Grant account in the Economic Development Fund.
2. Move to approve a \$75,000 non-budgeted appropriation of FY25 General Fund Unassigned Fund Balance and appropriate the funds to the Fire Department Grant account in the General Fund.
3. Discuss the Town Manager’s FY25 Budget Directive.
4. Update on 2024 bonding.
5. Update on ARPA Grant.
6. Finance Director update.

G. ADJOURNMENT

TOWN OF BERLIN
REGULAR BOARD OF FINANCE MEETING
SEPTEMBER 10, 2024
“Doc” McIntosh Conference Room or Remote Meeting
7:00 P.M.

<https://berlinct-gov.zoom.us/j/4148724481?pwd=SkpBQmd1U0NoNTF5U0dWTXZGVUhIUT09&omn=87195539611>

Call-in Option: 1 929 205 6099
Meeting ID: 414 872 4481
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A. CALL TO ORDER

Chairman Bordonaro called the meeting to order at 7:00 p.m.

B. PLEDGE OF ALLEGIANCE

C. ROLL CALL

Members Present: Sal Bordonaro, Tim Grady, Denise McNair, George Millerd

Members Absent: Raul Fernandes, Gerald Paradis

Staff Present:

Kevin Delaney – Finance Director

Joe Ferraro – Town Assessor

Jim Mahoney – Economic Development Consultant

D. PUBLIC COMMENTS

None.

E. APPROVAL OF PRIOR MINUTES July 25, 2024, Special Board of Finance Meeting

Mr. Grady moved to approve the July 25, 2024, Special Board of Finance Meeting minutes.

Seconded by Mr. Millerd.

Those voting in favor: Mr. Bordonaro, Mr. Grady, Ms. McNair, Mr. Millerd

Vote being 4-0. (MOTION CARRIED)

F. NEW BUSINESS

1. Discuss impact of PA 22-118 on October 1, 2024, grand list.

PA 22-118, §§ 497-509, beginning October 1, 2023, (1) required assessors to value vehicles using their MSRPs, subject to depreciation (rather than using a guide OPM annually selects); (2) required the Department of Motor Vehicles to give municipalities a supplemental list of vehicles it registered on a monthly, rather than annual, basis; and (3) modified the timeline for supplemental bills. However, PA 23-304, §§ 209-219, delayed these changes by one year, until the 2024 assessment year.

Finance Director Delaney said the legislature passed PA 22-118 and it changes the way motor vehicle taxes are valued on the grand list. We are currently using NADA value, but it is being switched to MSRP price minus the depreciation method. This is a significant development that should go into the budget. Town Assessor Ferraro said they are fine tuning the law now.

Town Assessor Ferraro also highlighted a change to the Veterans tax relief program. Veterans need a letter from the Veteran's organization stating they are permanently disabled to qualify. Finance Director Delaney said the total grand list amount being exempt is estimated at \$15M.

Mr. Millerd asked what do veterans get today? Town Assessor Ferraro said it depends on the rating, but a typical veteran is receiving \$1,500 off in assessment. There are some that get \$6k off in assessment taxes. We sent letters out to all of the veterans to notify them of the new rule.

Mr. Grady said we would probably be better off doing a different mill rate for cars versus real estate and personal property. Town Assessor Ferraro said there won't be a supplemental motor vehicle list anymore, as of the 2024 grand list. It will be sent either monthly or quarterly.

2. Move to approve a \$360,000 CT DECD municipal brownfields forgivable loan for 55 Steele Boulevard (formerly known as 889 Farmington Avenue) and, when all documents are executed, to appropriate the loan to the Municipal Brownfields loan account for 889 Farmington Avenue.

Mr. Grady moved to approve a \$360,000 CT DECD municipal brownfields forgivable loan for 55 Steele Boulevard (formerly known as 889 Farmington Avenue) and, when all documents are executed, to appropriate the loan to the Municipal Brownfields loan account for 889 Farmington Avenue.

Seconded by Mr. Millerd.

Those voting in favor: Mr. Bordonaro, Mr. Grady, Ms. McNair, Mr. Millerd

Vote being 4-0. (MOTION CARRIED)

Chairman Bordonaro asked who's responsible for this? Director of Finance Delaney said the town is responsible because the town still owns the property. The town will still retain responsibility for remediating the brownfield even after the property transfers over to Newport Realty.

Chairman Bordonaro asked if the \$360k is an estimate? Director of Finance Delaney said the intent is to have the awarded contractor, B&W Paving, do the work. There is a \$360k gap between the funding and total cost. \$360k is the projection, but there is no guarantee. Economic Development Director Mahoney said when we applied for the additional state funds, they had limitations on what we could ask for additional contingencies. We have about \$100k left in contingency. There is always some uncertainty with brownfield projects. We are hoping to get the work done by the end of the year or shortly thereafter. Then Newport Realty can start to

build their building. They are putting in the site utilities, footings and foundations and the town is committed to doing the geomembrane for the soil contamination.

3. Finance Director update.

Finance Director Delaney said we are in good shape with tax collections. The health insurance fund had seen more claims than usual. The pension fund liability numbers will be higher in October.

There is \$75k to issue a grant for the Kensington Fire Department to purchase the land that is currently their driveway from Matson Rugs. It will be discussed at a public meeting and at the Town Council meeting. It will then come to the Board of Finance in October.

G. ADJOURNMENT

Mr. Grady moved to adjourn at 7:28 p.m.

Seconded by Mr. Millerd

Those voting in favor: Mr. Bordonaro, Mr. Grady, Ms. McNair, Mr. Millerd

Vote being 4-0.

Submitted by,
Alina Brown

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

TO: The Board of Finance

FROM: W. Lee Palmer, Interim Town Manager

DATE: September 9, 2024

**SUBJECT: Authorization for a Non-Budgeted Appropriation of General Fund
Unassigned Fund Balance to the Farmington Avenue Non-Grant account in
the Economic Development Fund**

Summary of Agenda Item:

The Town Council authorized the Town Manager to apply for an additional State of Connecticut Department of Economic and Community Development Municipal Brownfields grant for the 55 Steele Boulevard Engineered Control Project and the State offered a grant of \$360,000 (a \$50,000 local match was previously approved). Subsequently, the State Attorney General's office ruled that the Town was not eligible for an additional grant for the project because it had previously received grants and a supplemental grant. Therefore, additional funding is needed to advance the project to completion. The Town entered a change order with the project contractor, B&W Paving, to resume work on the project. The change order has a funding cap provision such that work will again stop if the added \$360,000 in funding is not in place when the total B&W contract work reaches \$1,082,000. For its part, Newport has been proceeding with the expectation that work will continue and that it will be able to purchase the site and start ground up construction by the end of the year. For example, it has hired Nadeau Brothers as its concrete contractor to construct building footings and foundations. Providing additional funding will enable Newport Realty's 50-unit development project on the site, thus completing Newport's successful 55 Steele Boulevard project. Given the importance of advancing and completing the project in coordination with Newport's development, the Town Council scheduled a special town meeting for September 17 to consider a \$360,000 FY25 non-budgeted appropriation of General Fund Unassigned Fund Balance to the Farmington Avenue Non-Grant account in the Economic Development Fund so that the change order funding cap can be removed from the B&W Paving contract, and the remediation project can continue without further delay.

Funding:

A \$360,000 FY25 non-budgeted appropriation of General Fund Unassigned Fund Balance will be made to the Farmington Avenue Non-Grant account 504.10.1017.0.54000.01624 in the Economic Development Fund.

Action

Move to appropriate \$360,000 in FY25 non-budgeted appropriation of General Fund Unassigned Fund Balance to the Farmington Avenue Non-Grant account in the Economic Development Fund.

Attachments:

None

Prepared By:

Chris Edge, Economic Development Director

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

TO: The Board of Finance

FROM: W. Lee Palmer, Interim Town Manager

DATE: September 9, 2024

SUBJECT: Authorization for a Non-Budgeted Appropriation of \$75,000 from General Fund Unassigned Fund Balance FY 25 to the Kensington Volunteer Fire Department Grant Account for the purchase of property adjacent to the Kensington Fire Department

Summary of Agenda Item:

The Kensington Volunteer Firemen's Association for the District of Kensington and Town of Berlin ("KVF") provides essential fire related services to the Town of Berlin. Part of the KVF's access drive for its fire station at 880 Farmington Avenue, Kensington is located on the abutting private property at 892 Farmington Avenue (owned by Mattson Realty LLC). To maintain access to Farmington Avenue via the main entry drive of the KVF, the Fire Department would need to either purchase land from the abutting property owner at 892 Farmington Avenue or relocate the access drive and move the existing signal at an estimated cost of \$100,000 to \$130,000. The abutting property owner has agreed to sell KVF the needed land, consisting of 0.07 acre, so that it can continue to use its existing access drive to Farmington Avenue for \$75,000. In recognition of the need to permanently resolve the issue of access from the fire station to Farmington Avenue, it is proposed that the Town provide a grant of \$75,000 to KVF so that it can acquire the land needed from the abutting property owner to maintain its access for the fire station to Farmington Avenue. KVF has agreed to assume any other costs associated with closing on acquisition of the property such as for its attorney fees, survey, Phase I ESA, and title search/insurance.

Funding:

A non-budgeted appropriation of \$75,000 from General Fund Unassigned Fund Balance FY 25 to the Volunteer Fire Department Grant Account for the purchase of property adjacent to the Kensington Fire Department.

Action

Move to approve a \$75,000 non-budgeted appropriation of FY25 General Fund Unassigned Fund Balance and appropriate the funds to the Fire Department Grant account in the General Fund.

Attachments:

None

Prepared By:

Chris Edge, Economic Development Director



TOWN OF BERLIN

OFFICE OF THE TOWN MANAGER

W. LEE PALMER JR.
Interim Town Manager

To: Department Managers, Commissions, and Boards

From: W. Lee Palmer Jr., Interim Town Manager

Date: September 5, 2024

Re: **Fiscal Year 2026 Budget Directive**

The budget process for fiscal year 2026 will begin soon. I am asking each Department Head to balance our responsibility to provide on-going services and adhere to legal, regulatory, and contractual obligations with the need to proactively manage costs on behalf of all Berlin taxpayers. Consistent with past practice, I will be meeting with Department Heads with responsibility for the major budget drivers. Department Heads need to be prepared to explain how any new requests or non-contractual increases provide value to Berlin residents and taxpayers.

In our ongoing efforts to make the budget process more strategic, we will utilize the following process and timeline.

- **Department Strategy:** Finance will distribute the template to Department Heads by September 13th, and the templates are to be returned to Kevin Delaney by **September 30th**. When completing this document, department heads will communicate value added services their department will provide to Berlin taxpayers over the upcoming 18 months. This document is prepared before the financial exhibits, so that department heads consider what they need (headcount, technology, process changes, inter-department transactions) before getting into “the numbers” of the budget.
- **Capital:** On September 30th Department Heads will receive a copy of the current capital plan. At the last Town Council meeting of fiscal year 2024, the Mayor and Town Council revised the capital process. Going forward, all capital requests must be presented to the Town Council **before** being placed on the first half of the 10-year capital plan. Any capital request that has not been approved to move forward by the Town Council will be placed in the second half of the 10-year capital plan.

To accommodate the Town Council process, the capital request document must be submitted to Kevin Delaney by **October 31st**. Based on the Department Head’s

responses, each capital request will be placed in a capital plan year. In November, the Capital Committee will meet to prioritize each request.

- **Personnel:** A separate personnel change form **must** be submitted to Finance by **October 31, 2024**, for the new position/position change to be considered for the FY 2026 budget. The Finance Department will determine the cost of each request, and, in turn, the request will be reviewed by the Human Resources Director, bargaining unit representative as appropriate, and the Town Manager.

Do not include new positions/position changes on the department narrative (Excel file) emailed in November. These positions will not be included in the FY 2026 budget and will not be filled due to lack of funding.

- **Debt:** I will be working with the Town Council and Board of Finance over the next couple of months to set an acceptable level for any new debt issues. While this is not an area Department Heads are responsible for, it may affect the timing of individual capital projects/acquisitions.
- **Revenue:** Department Heads need to review their revenue projections closely. It is critical that you consider emerging trends and not just submit the prior year amount. Department Heads are responsible for ensuring that the schedule accurately reflects statutory imposed fees for FY2026. Please also consider eliminating fees that generate little revenue.

As a reminder, departments required to provide revenue submissions are:

Animal Control	Berlin-Peck Library	Building Inspector
Engineering & Public Works	Fire	Parks & Recreation
Planning	Police	Senior Center
Golf Course	Town Clerk	Visiting Nurses Association
Zoning Board of Appeals		

- **Fee Schedule:** The fee schedule will be approved by the Town Council at their first meeting in February. To ensure the information is accurate and all approvals are obtained, Department Heads should plan to review their fee schedule with their oversight Commission/Board by November 2024. The current fee schedule will be emailed to Department Heads later this week to accommodate the outlined approval schedule.

Below are the key dates for the FY 2026 budget process. Please plan accordingly.

- September 9th:** Fee schedule distributed by Finance
Current capital plan distributed by Finance
Department strategy template distributed by Finance
Personnel change form distributed by Finance
- September 30th:** Department strategy due to Kevin Delaney
- October 31st:** Capital plan adjustments due to Kevin Delaney
Personnel change forms due to Kevin Delaney
- November:** Capital Committee meets to review/prioritize FY 2026 capital plan
- November 1st:** Operating budget templates distributed by Finance
Revenue budget template distributed by Finance
- November 29th:** Operating budget templates due to Len Zielinski/Diane Conway
Revenue templates due to Kevin Delaney
Fee schedule updates due to Kevin Delaney
- January 13th – 17th:** Town Manager meetings with Department Heads
- February 21st:** Board of Education budget submitted to Finance
- March 1st:** Town Manager budget submitted to the Board of Finance

Once submitted, each department budget will be carefully reviewed. The Finance Department will set up meetings; however, meetings will not be held automatically with each Department. No meeting will be held unless one is scheduled by December 18th. If you have not been scheduled for a meeting by December 18th and wish to meet, you must contact Kevin Delaney.

I ask that each budget submitted reflect the following concepts:

1. Any out of state or overnight travel to seminars/conferences requests must be detailed in your submission financials and narrative.
2. Wages for bargaining units with an open contract that expires on 6/30/2025, will be entered by the Finance Department at the FY 2025 level and appropriate steps will be added. The GWI will be budgeted by the Finance Department in the Townwide Department budget.

Salaries for those not affiliated with a bargaining group will be entered at the FY 2025 level. The GWI for unaffiliated employees will be budgeted by the Finance Department in the Townwide Department budget and at the level approved by the Town Manager.

Department Heads **must** submit a requested salary schedule or salary change for part-time, non-union employees **with their department template submission** on November 29th. These requests will be reviewed by the Town Manager and Human Resources Director.

3. The Town reimburses for mileage of personally owned vehicles (as authorized for use) at the published General Services Administration (GSA) rate. Once the rate is released, the Finance Department will notify affected Department Heads of the new mileage reimbursement rate, if necessary. The GSA normally communicates the new rate in December.

If a department expects to travel out of state for training or other business purpose and seek mileage reimbursement, this cost must be budgeted in the training line.

4. Department Heads are expected to perform an evaluation of all departmental resources to ensure that adequate funding is requested to provide expected services, and that any duplication, waste or inefficiency has been removed. Be sure to consider **inflationary cost increases** for goods and services your department purchases. **Once the budget is adopted, you should assume that the Town will not be able to “find money” to fund items that were not included in your budget submission.**
5. Utilities and heating budget amounts will be based on your FY2025 budget, adjusted for any expected changes in volume. Any volume changes **must** be outlined (including current and projected volume amounts) in your budget narrative.
6. When completing the budget documents, each Department Head must provide a line-item narrative to clearly indicate what each budgeted dollar represents. **READ ALL NARRATIVES AND MAKE SURE THEY ACCURATELY REFLECT WHAT IS BEING REQUESTED.** This is **YOUR** budget request and, as such, should reflect what you need - not just what has been included in the past. You may discuss the need for new line items or changes to your budget with your Top Manager and any technical budget questions with the Finance Department.

I look forward to working together to ensure the budget submitted to the Board of Finance is responsible and reflects current economic conditions balanced against service needs. Thank you for your anticipated cooperation, as always.

Cc:	Sal Bordonaro	Cyndi Goode	Cathy Pajor
	Brian Benigni	Mark Kaczynski	Lecia Paonessa
	Diane Conway	Allison Laroche	Debbie Simons
	Kevin Delaney	Marlo Matassa	Len Zielinski
	Ashley Dorsey	Sandy Niro	

RatingsDirect®

Summary:

Berlin, Connecticut; General Obligation

Primary Credit Analyst:

Dylan Lindow, Boston +1 6175308033; dylan.lindow@spglobal.com

Secondary Contact:

Christian Richards, Washington D.C. + 1 (617) 530 8325; christian.richards@spglobal.com

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Outlook

Credit Opinion

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Summary:

Berlin, Connecticut; General Obligation

Credit Profile		
US\$19.725 mil GO rfdg bnds, issue of 2024 ser 2024 due 10/01/2035		
<i>Long Term Rating</i>	AAA/Stable	New
US\$4.56 mil GO bnds, issue of 2024 due 10/01/2034		
<i>Long Term Rating</i>	AAA/Stable	New
Berlin GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' rating to Berlin, Conn.'s \$4.560 million series 2024 general obligation (GO) bonds and \$19.725 million series 2024 GO refunding bonds, based on the application of our "Methodology For Rating U.S. Governments," published Sept. 9, 2024, on RatingsDirect.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the city's GO debt outstanding.
- The outlook is stable.

Security

The town's full faith and credit secures the bonds.

Proceeds from the bonds will finance HVAC upgrades to Griswold and Hubbard Elementary Schools, along with police state renovations and police radio upgrades. In addition, the GO refunding bonds will refund several of the town's bond series for net present value savings.

Credit overview

The rating reflects our view of Berlin's history of healthy operating performance, as reflected in its available fund balance and tax base growth, supporting its general creditworthiness. The GO rating also incorporates our view of the strong regional economic activity and our forward-looking view of the town's finances and additional debt plans.

Underpinned by a growing local economy outside of Hartford, we expect limited downside rating pressure through the two-year outlook horizon. Berlin has been able to attract new young professional residents, in part due to its location along the Amtrak train route that goes to Springfield and New Haven, as well as its campaigns focused on expanding the town's culture and diversity. The town has seen strong revenue growth as revenue-raising flexibility and expenditures savings continue to exceed expectations. We attribute this growth to management's grasp on tight controls while budgeting and managing its debt and liabilities profile to the policies in place, as well as strong planning.

Credit fundamentals supporting the 'AAA' rating include the town's:

- Well-diversified regional economy, which has seen investment interest in recent years, and local economic metrics,

including per capita market value and town incomes, that are in line with those of similarly rated peers while per capita gross county product and per capita personal income are above those of national and county levels, which we view as a credit strength;

- Historically positive budgetary performance, as reflected in surplus results in nine of the last 10 fiscal years, and we expect that the town will continue to realize balanced-to-positive results given management's tight expenditure controls and predictable revenue growth--reserves are supported by a 11% formal fund balance policy, and we expect they will remain above the policy requirement; and
- Additional debt plans, which we do not believe will materially affect Berlin's credit fundamentals.

For more information on our institutional framework assessment for Connecticut municipalities, see "Institutional Framework Assessment: Connecticut Local Governments," published Sept. 9, 2024.

Environmental, social, and governance

We analyzed the town's environmental, social, and governance (ESG) factors relative to its economy, management, budgetary and financial measures, and debt and long-term liability profile, and consider them in line with the sector. In addition, we understand the town maintains adequate IT safety protocols.

Ratings above the sovereign

We rate the town above the sovereign because we believe it can maintain better credit characteristics than the U.S. in a stress scenario, based on its predominantly locally derived revenue base and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. The rating above the sovereign is based on our criteria "Ratings Above The Sovereign: Corporate And Government Ratings--Methodology And Assumptions," published Nov. 19, 2013, on RatingsDirect.

Outlook

The stable outlook reflects our view of the town's conservative management, leading to consistent general fund operations and maintenance of reserves above the policy limit. The town's strong economic presence further supports the rating.

Downside scenario

Although not expected at this time, if the town's debt burden were to grow significantly or if the town's finances become imbalanced, leading to a draw on reserves with no plan to replenish, we could lower the rating.

Credit Opinion

Economy

Berlin has seen an uptick in new growth since the onset of COVID-19 in early 2020. Since the pandemic, the town's grand list (total assessed value) has grown by 5.2%, to just over \$2.4 billion. This growth has supported revenue increases from the additional taxable values. One of the larger projects was the state-funded Amtrak train service, which implemented new lines for easy access in and out of the town. The project has brought in mixed-use developments with commercial and residential space. As a result, the primarily residential community has experienced

diversification in the nonresidential sectors, with promotions through the economic development department. The town has received several grants, including an arts grant, toward getting more people out in the community supporting local businesses. Officials have also been working to market the town through a brand awareness campaign focused on attracting residents and new employers.

Unemployment within the county remains low, with residents working jobs in finance and insurance, service industry, and manufacturing. Berlin has seen an increase in business that has partially been derived from economic activity in the area in which Berlin has greatly benefited from. This is demonstrated in the gross county product, in which Berlin is above-average compared with both the county and the U.S. overall.

Management

The town benefits from conservative budgeting techniques that have supported recent operating results. Highlights include:

- Management follows tight budget controls in order to maintain structural balance and determine revenue and expenditures assumptions. The town uses historical trend analysis when developing its budget to incorporate emerging trends and to identify tax collection and growth trends, and uses the governor's proposed budget as a general guide to determine state aid revenue. The town also monitors budget-to-actual performance, reporting to the board of finance monthly to address variances and propose budget amendments when necessary.
- Officials maintain a rolling 10-year, long-term capital improvement plan (CIP) that identifies capital projects priorities and internal and external funding sources. They also keep a five-year financial plan that details assumptions and feeds into the annual budget.
- Berlin maintains formal debt management and reserve policies. The former outlines uses for debt, along with setting debt limits (relative to the grand list and operating budget) and amortization requirements. The reserve policy calls for maintenance of unassigned general fund reserves at no less than 11% of budgeted expenditures and includes the acceptable use of reserves to cover expenditures, as well as a replenishment clause. Although state statutes strictly limit which investment instruments the town can use, management maintains an investment policy for short-term holdings and interest income, mirroring state law.

Financial performance, reserves, and liquidity

Despite a slight operating deficit posted in fiscal 2022, mainly for transfers out of the general fund for capital projects and larger-than-normal lump-sum pension payments to retirees, the town has a long history of posting balanced-to-positive results each year. The town has demonstrated good cash flow management by taking advantage of a higher interest rate environment, earning \$1.9 million more than what was budgeted for fiscal 2023. Current year and back taxes, along with higher extra-duty police services, also contributed to revenues exceeding the budget. For fiscal year 2024, the town was able to maintain expenditure controls, realizing about \$3 million in savings largely due to public works and parks and recreation line items, and is expecting another surplus of approximately \$600,000, about less than 1% of general fund expenditures. The budget is funded mostly by property taxes (80% of general fund revenue) and intergovernmental revenues (13%).

The \$102.8 million fiscal 2025 budget includes building permits that are expected to outpace the five-year average because of a few large commercial developments that are underway. The town continues to see strong growth in property taxes as it attracts new residents, with new developments and accessibility along the state-funded Amtrak

train service project. Berlin continues to add to available reserves, supported by overall performance in the general fund.

Debt and liabilities

Subsequent to this issuance, the town will have \$45.8 million in total direct debt. This includes \$7.9 million remaining from a roughly \$10.4 million, 20-year capital lease for a multifaceted energy saving program. Officials plan to issue up to \$10.7 million over the next two years, in accordance with its CIP, to fund infrastructure improvements. With preliminary numbers, we expect fixed costs to stay relatively flat at 7.4% or increase slightly.

We do not view pension and other postemployment benefits (OPEB) liabilities as a credit pressure for the town. While the funded ratio of the town's single-employer plan is low, the plan was closed to all employees in 2000, and the town has made additional contributions to the plan from its unassigned fund balance to reduce pension exposure. Additionally, the town developed a new defined-benefit plan in 2023 that became effective in fiscal 2024 to recruit and retain police employees. The town has passed an ordinance requiring full funding of the actuarially determined employer contribution for each active defined-benefit pension plan. Teachers and other certified personnel are eligible to participate in Connecticut State Teachers' Retirement, a cost-sharing, multiple employer system. The state makes contributions to the plan.

Berlin participates in the following plans as of June 30, 2023:

- Berlin Employees Retirement System, which is 62.7% funded, with a \$1.1 million net pension liability; and
- Berlin's single-employer health care OPEB plan, which has a \$8.4 million net OPEB liability.

As of the July 1, 2024, valuation date, the funded ratio for the police plan was 86.7% and the closed pension plan had increased to 88.6%.

Table 1

Berlin Town, Connecticut--Credit summary	
Institutional framework (IF)	1
Individual credit profile (ICP)	1.43
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Debt and liabilities	1.50
Management	1.65

Table 2

Berlin Town, Connecticut--Key credit metrics				
	Most recent	2023	2022	2021
Economy				
GCP per capita % of U.S.	147	--	147	145
County PCPI % of U.S.	108	--	108	108
Market value (\$000s)	3,510,927	3,510,927	3,404,807	3,387,354
Market value per capita (\$)	174,465	174,465	162,606	163,941

Table 2

Berlin Town, Connecticut--Key credit metrics (cont.)				
	Most recent	2023	2022	2021
Top 10 taxpayers % of taxable value	14	14	15	14
County unemployment rate (%)	3.8	3.8	4.2	6.6
Local median household EBI % of U.S.	139	139	135	139
Local per capita EBI % of U.S.	137	137	130	139
Local population	20,124	20,124	20,939	20,662
Financial performance				
Operating fund revenues (\$000s)	--	107,763	100,466	98,819
Operating fund expenditures (\$000s)	--	104,087	102,173	95,692
Net transfers and other adjustments (\$000s)	--	--	-2,972	-2,203
Operating result (\$000s)	--	3,676	-4,679	924
Operating result % of revenues	--	3.4	(4.7)	0.9
Operating result three-year average %	--	-0.1	-0.8	1.3
Reserves and liquidity				
Available reserves % of operating revenues	--	16.5	13.8	19.0
Available reserves (\$000s)	--	17,780	13,894	18,785
Debt and liabilities				
Debt service cost % of revenues	7.0	7.0	7.7	7.9
Net direct debt per capita (\$)	2,281	2,827	3,000	3,349
Net direct debt (\$000s)	45,893	56,881	62,827	69,200
Direct debt 10-year amortization (%)	82.0	--	--	--
Pension and OPEB cost % of revenues	--	--	5	2
Net pension liabilities per capita (\$)	59	59	83	393
Combined net pension liabilities (\$000s)	1,184	1,184	1,742	8,118

GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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11:38:00 a.m. EDST

Upcoming Calendar

Overview

Compare

Summary

Bid Results

Berlin (Town)
\$4,560,000 General Obligation Bonds, Issue of 2024

The following bids were submitted using **PARITY**[®] and displayed ranked by lowest TIC.
 Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
<input checked="" type="checkbox"/> Reoffering	Brownstone Investment Group, LLC	2.569247
<input type="checkbox"/>	StoneX Financial Inc.	2.660148
<input type="checkbox"/>	Roosevelt & Cross, Inc.	2.671011
<input type="checkbox"/>	SWBC Investment Services, LLC	2.689507
<input type="checkbox"/>	Fidelity Capital Markets	2.699042
<input type="checkbox"/>	HilltopSecurities	2.748349
<input type="checkbox"/>	BNYMellon Capital Markets	2.767460
<input type="checkbox"/>	Huntington Securities, Inc.	2.771487
<input type="checkbox"/>	Robert W. Baird & Co., Inc.	2.833878
<input type="checkbox"/>	TD Securities	2.841095

*Awarding the Bonds to a specific bidder will provide you with the Reoffering Prices and Yields.

**Agenda Item No. F-5
Request for Board of Finance Action**

TO: The Board of Finance

FROM: W. Lee Palmer, Interim Town Manager

DATE: September 20, 2024

SUBJECT: Request the Public Building Commission (PBC) to review & release Willard HVAC contingency funded with the ARPA grant and ask the PBC to identify another school HVAC contract (or contracts) to authorize use of the remaining ARPA grant funds at the October 2024 PBC meeting.

Summary of Agenda Item:

At the May 2, 2023, Special Town Council Meeting, the construction and construction management contracts were awarded for the Willard HVAC project. On June 20, 2023, the Town Council approved lowering the construction contingency from \$400,000 to \$350,000.

	<u>Contracted Amount</u>	<u>Contingency</u>	<u>Total</u>
All State (construction)	\$4,063,000	\$350,000	\$4,413,000
Newfield (construction mgmt.)	\$ 441,500	\$ 93,125	\$ 534,625

The contingency amounts were funded with both ARPA Grant funds and Local funds.

	<u>ARPA funds</u>	<u>Local Funds</u>	<u>Total</u>
All State contingency	\$232,501.16	\$117,498.84	\$350,000.00
Newfield	\$ 93,125.00	\$ 0.00	\$ 93,125.00

Through invoices submitted and paid on 9/25/2024, the project (including retainage) and contingency balances are:

	<u>Project Balance</u>	<u>ARPA Contingency</u>	<u>Local Contingency</u>
All State	\$571,564.68	\$135,270.16*	\$117,498.84
<i>% of project balance</i>		23.7%	20.6%
Newfield	\$109,261.00	\$ 93,125.00	\$ 0.00
<i>% of project balance</i>		85.2%	0.0%
Friar	\$ 2,250.00	\$ 0.00	\$ 0.00
Sustainable Engineering	\$ 10,500.00	\$ 0.00	\$ 0.00

** The construction contingency (listed as All State above) was reduced by \$28,831 in net change orders and \$68,400 to fund Friar Architecture work on the Hubbard and Griswold HVAC projects (approved by the Town Council on 7/23/2024).

With most funding arrangements, the Town Council defers to the Public Building Commission for budget management through the life of each project. However, the American Rescue Plan Grant has a unique provision that requires funds to be “obligated” by 12/31/2024 and expended by 12/31/2026. Under the grant, “obligated” is defined as “an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment.” The US Treasury clarified that an obligation is not met “by reference to recipient appropriation, budget, or allocation processes since this approach would not provide a standard that could be applied consistently across recipients.”

If the Town of Berlin does not expend ARPA funds currently appropriated to Willard HVAC project contingency by 12/31/2026 or reduce the contingency to an amount the Town will expend by 12/31/2026 and authorize the remaining money to a different project (e.g., Griswold & Hubbard HVAC) through which the funds will be expended, then unspent funds will need to be returned to the US Treasury. Further, the funds not only need to be authorized to a different project, but an obligation must be entered into by 12/31/2024 or the funds will need to be returned to the US Treasury.

Funds not obligated under the ARPA grant definition are:

All State contingency	\$135,270.16
Newfield contingency	\$ 93,125.00
<u>Uncommitted balance</u>	<u>\$ 395.36</u>
Total	\$228,790.52

The deadline and request for the PBC to review the contingency balances has been discussed internally for several months. The PBC discussed repurposing any remaining Willard contingency to the other two elementary school HVAC projects at their June 13, 2024, meeting, but a vote was not taken. Minutes from the July, August and September meetings do not reflect any action taken by the PBC.

Funding:

N/A

Action Needed:

No Action Needed by the Board of Finance at this time.

Attachments:

None

Prepared By:

Kevin Delaney, Finance Director

Town of Berlin
 Financial Status Report
 Board of Finance Meeting of October 8, 2024

GENERAL FUND

	<u>FY 2025</u>	<u>FY 2024</u>	<u>Notes</u>
<i>(budgeted amount excludes assigned fund balance)</i>			
Receipts			
Actual Receipts	\$58,642,185	\$56,405,826	
Budgeted Receipts	\$101,885,192	\$98,569,696	
% to Budget	57.6%	57.2%	
Current Year Tax Receipts	\$56,612,721	\$53,744,133	
Current Tax Budget	\$87,899,741	\$84,507,963	
Current Tax Levy <i>(99.3%/99.3% collection rates)</i>	\$88,519,377	\$85,103,689	
% to Current Budget	64.4%	63.6%	
% to Current Levy	64.0%	63.2%	
Adopted budget target %	99.3%	99.3%	
Expenditures <i>(excludes capital expenditures)</i>			
Actual Expenditures	\$28,442,615	\$25,701,466	
Budgeted Expenditures	\$102,770,521	\$99,612,696	
% to Budget	27.7%	25.8%	

	<u>Actual</u>	<u>Encumbered</u>	<u>Budget</u>	<u>Var to Budget</u>
Storm-related Overtime (51445)	\$374	\$0	\$102,451	\$102,077
Electricity (53102)	\$300,452	\$1,054,571	\$1,388,250	\$33,228
Refuse Disposal (53823)	\$203,703	\$1,338,151	\$1,797,176	\$255,322
Legal (53828)	\$71,334	\$290,451	\$410,000	\$48,215
Tax Refunds (53924)	\$37,866	\$0	\$215,000	\$177,134

	<u>Target Floor Fd Bal.</u>	<u>Actual Fund Bal.</u>	<u>Notes</u>
INSURANCE FUNDS			
Health Insurance Fund	\$2,928,544	\$3,922,712	The Health Insurance Fund balance is 33.5% of full year projected expenses - target floor reserve is 25%.
General Insurance Fund	\$1,000,000	\$2,361,012	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, window/widower heart & hypertension claims, "fronting" reimbursable environmental remediation costs, small equipment claims where Town elects to self-insure and deductibles. Town policy is a \$1 million floor and ceiling at 5% of General Fund budget (or \$4,980,635 for FY24). Displayed fund balance is net of H&H reserve and encumbrances for self-insured claims.
TOTAL INSURANCE FUNDS	<u>\$3,928,544</u>	<u>\$6,283,724</u>	

**Town of Berlin
Financial Status Report
Board of Finance Meeting of October 8, 2024**

<u>PENSION FUND</u>	<u>Closed Plan</u>	<u>Police Plan</u>	<u>Notes</u>
Total Liability (as of 7/1/2023) Amount will be updated 7/1/2024 liability once provided	\$4,726,976	\$7,289,488	The Closed 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 were eligible to participate in the plan. As of July 1, 2023, the Town of Berlin approved a new Defined Benefit Plan for Police Officer's only. Existing officers were given the option to remain in the Defined Contribution Plan or use their DC assets to "buy into" the new Police DB Plan. All but two existing officers elected to "buy into" the new Police DB Plan.
<u>Cash Balances:</u>			
Empower	\$2,657,741	\$0	
ICMA Plus	\$2,179,846	\$0	
Webster	\$0	\$7,511,682	
	<u>\$4,837,587</u>	<u>\$7,511,682</u>	
			<u>Closed DB Pension Plan Census</u> 3 active participants all eligible to retire; 11 annuitants receiving monthly checks Annual annuity payments & total monthly fees: \$152,000
Funding % - Total	102.3%	103.0%	
Funding % - DB	56.2%	0.0%	
Net Pension Asset/(Liability)	\$110,611	\$222,194	

<u>ACTIVE CAPITAL PROJECTS</u>					
	<u>% Complete*</u>	<u>Project Balance**</u>	<u>PBC Managed</u>	<u>Department</u>	<u>Notes</u>
4-Bridge Rehabilitation	91%	\$0		Public Works	Current Phase: close out with the State of CT
55 Steele Boulevard	39%	\$0		Economic Dev.	Building 3 of 3 from Newport's original Farmington Ave plans
3-Road Project (CRCOG Pre-Funded Construction)	78%	\$0		Public Works	Current Phase: finalize; any remaining balance is due back to State of CT
Kensington Road Bridge - Design Phase	41%	\$0		Public Works	Current Phase: design (local funded); once project is approved by DOT, CRCOG grant will pre-funded for bid amount + contingency & incidentals
Willard HVAC Upgrades (ARPA Funds)	72%	\$228,395	PBC	Facilities	Current Phase: construction; Balance is ARPA - need to reallocate by 12/31/2024
Willard HVAC Upgrades (Local Funds)	92%	\$117,499	PBC	Facilities	Current Phase: construction
Police Station Renovation	49%	\$0	PBC	Facilities	Current Phase: construction

* % complete represents invoices received versus total expected project cost - this metric will lag actual construction completion
 ** Capital projects fund balance includes encumbrances.

Risks				Opportunities			
Description	Projected - Low	Projected - High	Probability	Description	Projected - Low	Projected - High	Probability
RECEIPTS				RECEIPTS			
				Building Inspection	\$100,000	\$200,000	Med/High
EXPENDITURES				EXPENDITURES			
TOTAL	\$0	\$0		TOTAL	\$100,000	\$200,000	
<i>Total excluding Pension payouts</i>	\$0	\$0		NET RISKS/OPPORTUNITIES	\$100,000	\$200,000	
				6/30/2023 General Fund Unassigned Fund Balance (audited)	\$16,436,763	\$16,436,763	
				Unaudited Net FY24 Surplus/Deficit	\$622,312	\$622,312	
				<u>Non-Budgeted Appropriation of FY25 General Fund Unassigned Fund Balance:</u>			
				BWC/KFD/WFD Study	(\$140,000)	(\$140,000)	
				Requested capital removed from FY25 Town Manager's budget proposal	(\$1,251,320)	(\$1,251,320)	
				FY26 ADEC of closed defined benefit pension plan (est based on FY25 amount)	(\$652,688)	(\$652,688)	
				Additional funding for 55 Steele Blvd remediation/construction	(\$360,000)	(\$360,000)	
				Grant to Kensington Volunteer Fire Dept for purchase of land for driveway access	(\$75,000)	(\$75,000)	
				Potential land acquisition on Chamberlin Highway (Blue Hills Cons. area)	TBD	TBD	
				Projected 6/30/2024 General Fund Unassigned Fund Balance	\$14,680,067	\$14,780,067	
				Projected 6/30/2024 GF Unassigned FB as a % of proposed FY25 GF Budget	14.3%	14.4%	

Town of Berlin
Financial Status Report
Board of Finance Meeting of October 8, 2024

	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>TOTAL</u>	<u>YTD</u>
FY2019	55,212	74,521	82,025	142,845	81,705	58,331	97,213	71,442	119,187	72,239	90,498	100,562	1,045,780	211,758
FY2020	47,155	82,851	58,019	85,737	58,047	51,550	62,354	63,243	62,270	99,186	51,272	76,057	797,741	188,025
FY2021	48,132	56,105	61,099	53,775	54,553	64,397	66,910	57,967	78,281	82,029	27,123	107,013	757,385	165,335
FY2022	51,814	67,134	56,464	49,192	39,038	32,530	43,379	48,339	70,744	45,424	48,569	61,528	614,156	175,413
FY2023	43,842	57,446	67,243	57,167	52,526	61,072	45,590	26,033	53,655	60,131	55,054	54,550	634,309	168,531
FY2024	37,692	53,924	36,570	39,543	51,115	40,460	28,414	63,876	55,144	45,533	38,973	58,014	549,258	128,186
FY2024	44,725	33,730	46,286										124,741	124,741
CY vs. PY	7,033	(20,194)	9,715											

