

Item #3

OFFICE OF THE TREASURER
BRANFORD, CONNECTICUT




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Date: October 22, 2020

To: Joseph Mooney
Chairman, Board of Finance

From: James P. Finch
Finance Director 

Re: Request for a Discussion on James Blackstone Memorial Library Endowment

Early this summer I was asked to attend a meeting of the Blackstone Library Board to provide an overview of the budget process. In advance of my presentation I reflected on the past year's budget cycle while taking the opportunity to revisit some thoughts regarding the library budget and the endowment. Generally my thoughts focused on the sustainability of the endowment in this low rate environment and the current withdrawal rates. Following a meeting to discuss these thoughts with the First Selectman, the Library Director, President and Treasurer the First Selectman felt this represented a strategic opportunity for the town and we should approach the Board of Finance. I want to acknowledge the assistance, support and input we received from the library Treasurer, Adam Spilka who will be joining me at the meeting.

I have attached a copy of my notes in advance of the meeting to assist you in the discussion.

Cc J. Cosgrove
L. Arpin
James Blackstone Trustees

W. Arpin
BRANFORD TOWN CLERK

2020 OCT 23 P 3:48

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James Blackstone Library Endowment Discussion

Library Funding Sources:

The Library is currently funded through the following sources:

- Grants, fundraising and fees.
- Drawdowns from the endowment.
- The expenditure requirements less the above sources initially determine the amount the library requests from the Town. The final contribution to the library from local property tax dollars is decided pursuant to the adoption of the RTM budget. Essentially the contributions from the endowment resembles the use of fund balance in the general fund in that it is used to offset tax requirements without considerable depletion.

Philosophical Approach for Funding the Library and Endowment Sustainability:

- Taxpayers receive library services at a discount (15% off coupon).
- The endowment represents the largest non-tax revenue source for the library.
- The Town encourages efforts that enhance the sustainability of the endowment so that it does not become a declining revenue source that ultimately results in the town funding 95% of operations.

Threats and Challenges to Sustainability:

- Volatile market returns, underperformance (lower than expected) and low interest rates.
- High withdrawal rates coupled with sequence risk in the near term.
- Erosion of support from appropriating body (RTM)

Measuring the Risks and Threats:

- Work with the library to review asset allocation to determine if portfolio construction is consistent with cash flow needs.
- Work with the library to test the withdrawal and return assumptions for the desired portfolio using a Monte Carlo Analysis. The analysis uses a variety of scenarios to estimate the probability that projected portfolio withdrawals are sustainable using the beginning balance, withdrawals, return assumptions and time frame.

Wei Chapman
ENDORSED TOWN CLERK

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Preliminary Test (Monte Carlo) Results:

- The current rate of portfolio withdrawals is more than likely to deplete the portfolio over a fifty year time horizon.

Future Steps and Considerations:

- Run additional Monte Carlo simulations using lower withdrawal amount and a shorter time period.
- Estimate the budgetary impact of lower withdrawal rates against future tax requirements (less non tax revenue = higher town contribution).
- Since the initial analysis assumed no deposits into the portfolio any non-recurring revenue deposits including but not limited to bequests, large donations and grants should be deposited in the portfolio.

Final thoughts and observations:

In many respects the approach outlined above is reflective of the careful consideration and planning the town exercises when funding pensions, other post-employment benefits, self-insurance and more recently coastal resiliency. But perhaps the best analogy was offered by the First Selectman when he mused that this approach resembles the actions to acquire Foote Park from the Foote Trust. As the Board may recall by acquiring the park in exchange for a small grant to maintain it, the town provided stability and sustainability to the Trust and its ability to support the remaining beneficiaries. In both of these scenarios the town sees the merit in preserving trusts that while outside of the town's control are nevertheless important vehicles for providing services to the town's residents.

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Date: October 22, 2020
To: Joseph Mooney
Chairman, Board of Finance
From: James P. Finch
Finance Director
Re: Transfer FEMA Fund

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2020 OCT 23 P 3:49
JAMES P. FINCH
BRANFORD TOWN CLERK

As the board is aware, I sought 150,000 from FY 2020 Contingency to supplement the FEMA Fund. My request reflected concern that we have an ongoing emergency due to COVID 19 and two severe storms. At that time I stated the following:

The ultimate costs of these events remains difficult to measure, however, it is comforting that a variety of funding sources are available from state and federal governments.

Additionally, the town is in a strong position to meet the financial obligations associated with the local share requirements.

Unfortunately, it does not appear that the storms will qualify for disaster relief and the current declaration for COVID is not projected to provide substantial relief due to FEMA's interpretation of "eligible protective measures", I am seeking reimbursement through the state's Coronavirus Relief Fund (CRF) and we did receive funds through the department through Health Human Services which will be used for costs related our ambulance service and to a lesser extent the Counseling Center. Despite these funding sources the bulk of these costs are being funded through local tax dollars.

As we still have another month of hurricane season to endure and an uptick in COVID cases we can reasonably expect continued costs and exposure. Therefore, I will continue to update the board periodically on these developments.

<u>From:</u>		
Account	Account #	Amount
Contingency	10149040-588802	150,000

<u>To:</u>		
Account	Account #	Amount
Operating Transfer Out FEMA	10150000-599122	150,000

Cc J. Cosgrove
L. Arpin

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BOARD OF SELECTMEN
2020 OCT 22 A 11:53
BRANFORD, CONNECTICUT

Item #5

JAMES B. COSGROVE
First Selectman

RAYMOND E. DUNBAR, JR.
ANGELA M. HIGGINS



Joel Higgins
BRANFORD TOWN CLERK

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Date: October 22, 2020

To: Joseph Mooney, Chairman
Board of Finance

From: Jamie Cosgrove, First Selectman

Re: Budget Transfers FY 2020

I am requesting the following transfers be placed on the agenda for the Board of Finance October 26, 2020 meeting:

Executive

From:	Description	Amount
10141020-555400	Advertising, Printing, Binding	200
To:		
10141020-588225	Women & Families Center	200

The town budgets an annual contribution to the Women's & Families Center in the amount of \$300. This year a request was made to increase the contribution to \$500 as we had not yet made a contribution for FY 2020. The payment of \$500 was to be split between fiscal years but was accidentally processed in total to FY 2020 thereby creating the shortfall in the account.

Solid Waste

From:	Description	Amount
10143040-517000	Salaries	16,760
To:		
10143040-544353	Material Handling	16,760

The Board of Finance and RTM recently approved a transfer in the amount of \$31,305 for the material handling account. At the time the transfer was requested we believed all invoices had been processed for payment but subsequently learned that the town was waiting for the vendor to submit adjusted invoices for May & June services. The above transfer covers those revised invoices.

Item #6

Date: September 24, 2020
To: Joseph Mooney
Board of Finance
From: Roberta Gill-Brooks, Tax Collector
Re: Tax Collector - Budget Transfer FY 2020

I am requesting the following transfers be placed on the agenda for the Board of Finance September 28th, 2020 meeting:

<u>From:</u>		
10149040 588802	Contingency	66,558
<u>To:</u>		
10141070 518000	Overtime	48,798
10141070 533280	Consulting	17,760

In light of many factors: high volume of staff turnover as a result of retirements of seasoned staff, loss of in-person training time due to Covid-19, and the impact of the Governor's executive order to defer tax payments, the tax office has faced several challenges. We have brought in a consultant, we will be facing an audit, and we adopted "lockbox" for the first time this year. Added to all of this, tax deferral payments are happening at the same time as sewer use collection—causing a backlog in payment processing.

At the request of the finance department we met to discuss these challenges and we concluded that we should seek the following: 1) create and fund an overtime account within the tax office (similar to what we currently do in the assessor's office). These dollars will fund additional hours for the Assistant Finance Director and Assistant Tax Collector; 2) increase the consulting budget to provide additional training for the staff. The overtime estimates were designed to take us through the remainder of the fiscal year.

The Assistant Finance Director will seek to assess and evaluate the current processes and procedures and incorporate suggestions identified by the consultant(s). Finally she will look improve the coordination between the tax and finance departments while

strengthening the existing team to better insulate the town from the turnover associated with the election cycle.

Thank you for your consideration.

Roberta Gill-Brooks, Tax Collector