MANSFIELD
CONNECTICUT

Finance Committee Meeting
Tuesday April 21, 2020; 5:30PM

Virtual Meeting
4 South Eagleville Road, Mansfield, CT 06268

AGENDA

In accordance with Governor Lamont's Executive Order 7B and social distancing guidelines recommended by the CDC to slow community spread of COVID-19, this meeting is physically closed to the public. The public may view the meeting live at https://mansfieldct.gov/video or on Charter Spectrum Cable Channel 191 (the website is recommended as it is a higher image clarity).

Public Comment will be accepted by email at TownMngr@mansfieldct.org or by USPS mail at 4 South Eagleville Road, Mansfield CT 06268 and must be received prior to the meeting (public comment received after the meeting will be shared at the next meeting). Additionally, public comment can be phoned in live. Please email TownMngr@mansfieldct.org or call 860-429-3336 ext. 5 by Noon on the day of the meeting to receive instructions for how to phone in public comment.

Call to Order

Opportunity for Public Comment

Staff Reports

1. Approval of Minutes
    a. February 10, 2020

Old Business

New Business

2. Depot Campus Lease Discussion
3. Health Insurance Surplus – OPEB Liability
4. Proposed FY 19/20 Capital Improvement Program Adjustments
5. Parks and Recreation Discussion

Communications/Other Business/Future Agenda Items

Adjournment

MANSFIELD
CONNECTICUT

Finance Committee Meeting
February 10, 2020; 6:00PM

Town Hall – Council Chambers
4 South Eagleville Road, Mansfield, CT 06268

DRAFT MINUTES

Members Present: Kochenburger (Chair), Shaiken

Other Council Members Present: None

Staff Present: Carrington, Trahan

Guests: None

1. Meeting called to order at 6:03 pm

2. Opportunity for Public Comment – None

3. Staff Reports – Trahan reported that we will have a presentation for them on our insurance coverage at their March 9th meeting. In attendance will be our risk management consultants, USI, Inc.

4. Approval of minutes for January 13, 2020

   Shaiken moved and Kochenburger seconded to approve the minutes of January 13, 2020 as presented. Motion passed unanimously.

5. Financial Statements dated December 31, 2019 – Trahan reviewed the status of revenues, expenditures, and fund balance for various funds. Trahan reported that per the Governor's Proposed FY21 State Budget Adjustments, he has estimated we will receive our Town Aid Road grant for FY20. The Committee discussed and Trahan answered various questions from the Committee.

   Shaiken moved and Kochenburger seconded to recommend the Town Council accept the Financial Statements dated December 31, 2019 as presented. Motion passed unanimously.

6. Communications/Other Business/Future Agenda Items – None

7. Adjournment. The meeting adjourned at 6:14pm.

   Shaiken moved and Kochenburger seconded to adjourn. Motion so passed.

Respectfully submitted: Cherie Trahan, Director of Finance

MANSFIELD
CONNECTICUT

Town of Mansfield
Finance Department

MEMO

To:	John Carrington, Interim Town Manager Jill Krieger, Superintendent, Regional School District #19
From:	Cherie Trahan, Director CAT
Date:	February 11, 2020
Subject:	**Depot Campus Lease Payments**

BACKGROUND

As you know, the Town of Mansfield and Region 19 entered into a Lease Agreement for the Depot Campus property on October 13, 2004. Per this agreement, the Region was to pay $1 per year for the lease of the property for the first eight years of the term. This was to allow Region 19 time to pay-off a potential loan for the improvements to the property from Mansfield. While the Region did not borrow the funds from Mansfield, they did "borrow" from themselves and have been paying this debt off.

Lease payments, in an amount to be determined by both parties were to begin in FY 12/13. Discussions began about the value of the property, what an appropriate lease payment would be, and if it made sense for the school district to purchase the property from the Town. In order to make informed decisions, an appraisal of the property was done by Stewart Appraisal services in September, 2015. Since this valuation was quite different than the mass appraisal that was done by the Town's Assessor, a second appraisal was done by Andrews & Galvin Appraisal Services in September, 2016. The Steward appraisal and the Galvin appraisal were not significantly different, therefore I recommend that we use an average of the two appraisal values and annual rent figures per the below:

Description	Galvin	Stewart	Average
Market Value	$ 704,000	$ 740,000	$ 722,000
Rent per Square Foot	$ 9.00	$ 8.50	$ 8.75
Monthly rent estimate (based on 6,420 SqFt)	$ 4,815	$ 4,575	$ 4,681
Annual rent estimate	$ 57,780	$ 54,900	$ 56,175

Proposal

As the Region made a significant investment in the property during the renovation in 2006-2008 timeframe, the Region requests credit for those investments towards the lease of the property. Attached is an analysis reflecting lease payments in the amount of $544,166 to be offset by the Region's investment in the property. Per this schedule, the Region would begin making actual lease payments to the Town of Mansfield in FY 22/23 for $35,000. This payment would be increased by 2% each year following through the end of the term of the agreement (FY24/25). Payments would be as follows:

FY 22/23 $35,000

FY 23/24 $35,700

FY 24/25 $36,414

Please indicate your agreement to setting the lease payments per the above schedule by signing below and returning to me. Both parties must agree to the amount of the lease payments. The annual payment will be processed by the Finance Department and in the Financial Management System used by both organizations. Please contact me if you have any questions.

2/12/2020

John C. Carrington, Interim Town Manager Date

2/12/2020

Jill Krieger, Superintendent, Region 19 Date

Attachments

1. Renovation Project – 85 Depot Campus – Region 19 at Depot Campus
2. Lease Agreement, dated October 13, 2004

Renovation Project - 85 Depot Road - Region 19 at Depot Campus
Calcution with Value of Lease Amount = $1 for first 8 years
As Requested by: Mary Jo Andrews, Shipman & Goodwin/Region Finance Committee

		Total Project		Facility
Total Improvements	$	2,802,405	$	2,700,358
Less: State Grant		2,237,675		2,156,192
Region 19 Cost		564,730		544,166

Description		Galvin		Stewart		Average
Market Value	$	704,000	$	740,000	$	722,000
Rent per Square Foot	$	9.00	$	8.50	$	8.75
Monthly rent estimate (based on 6,420 SqFt)	$	4,815	$	4,575	$	4,681
Annual rent estimate	$	57,780	$	54,900	$	56,175

Lease Payment Schedule (begins day lease agreement is signed):

Yr	Fiscal Year	Per Agreement Proposed Amount
1	FY 04/05	1
2	FY 05/06	1
3	FY 06/07	1
4	FY 07/08	1
5	FY 08/09 (1)	1
6	FY 09/10	1
7	FY 10/11	1
8	FY 11/12	1
9	FY 12/13	54,696
10	FY 13/14	55,500
11	FY 14/15	56,400
12	FY 15/16	56,340
13	FY 16/17	56,340
14	FY 17/18	57,016
15	FY 18/19	57,866
16	FY 19/20	50,000
17	FY 20/21	50,000
18	FY 21/22	50,000
	Subtotal	544,166
19	FY 22/23	35,000
20	FY 23/24	35,700
21	FY 24/25	36,414
		651,280

* Used Calculator.net to estimate value of current lease payment in 2005

Recommendation

Region 19 investment into building	$	544,166
Subtract: Value of Lease Payments 04/05-21/22		(544,166)
Region's Remaining Investment	$	(0)

(1) Construction completed May, 2008. First full school year FY 08/09

LEASE AGREEMENT

Whereas, the Region 19 School District Board of Education ("the School District") has voted to request that the Town of Mansfield ("the Town") lease the former Reynolds School on Depot Road in Mansfield to the School District for a minimum period of twenty (20) years, for the purpose of creating a satellite high school expected to accommodate and address the educational needs of approximately 35 students at that location; and

Whereas, on June 1, 2004, said School District voted to establish a Building Committee, to authorize the preparation of schematics for said project, to authorize the filing of a grant application to the State of Connecticut Department of Education ("the State") to fund the project, and to approve educational specifications for the project; and

Whereas, in order for said project to be viable, the Town must advance to the School District its local share of the funds necessary for said School District to renovate said Reynolds School building for said purpose, which *local share* is expected to amount to no more than $310,000.00, any such advance in payment by the Town to be reimbursed to the Town by the School District in eight equal installments, with interest, during the eight years following completion of the construction of said renovations; and

Whereas, the School District and the Town are considering that it is in the best interests of the students of the Region #19 School District that a satellite educational program be established at the former Reynolds School in accordance with the foregoing considerations, and

Whereas, it was resolved by the Town Council of the Town of Mansfield on August 9, 2004, that the Town Manager is authorized to *execute* a twenty (20) year lease of said Reynolds School Building to the Region 19 School District Board of Education in accordance with the foregoing considerations, provided that the continuation of the lease is contingent upon the School District applying for and receiving a grant from the State in an amount sufficient to carry out the renovations substantially as contemplated in a plan dated June 9, 2004 from Lawrence Associates and the School District makes a determination that the Reynolds School Program is both affordable and necessary; and
Whereas, the Town Manager is also authorized to advance to the School District an amount up to $310,000, as the Region's local share of the cost of renovating said school building to serve as a satellite high school under a contract which provides for the reimbursement of said funds to the Town in eight equal annual installments of $38,750, plus interest to be calculated at the twelve month average rate then prevailing on the State Treasurers 's Investment Fund, the first installment of which shall become payable one year after the completion of construction of said renovations, and

Now Therefore, in consideration of the mutual promises and covenants hereinafter contained, to be kept and performed by the parties hereto, it is hereby specifically agreed between the parties, as follows:

Agreement of Lease, made as of this 13th day of October, 2004 between the Town of Mansfield, Four South Eagleville Road, Mansfield, CT 06268, a municipal corporation acting by Martin H. Berliner, Town Manager (hereinafter the "Lessor"), and the Region 19 School District Board of Education, 1235 Storrs Road, Storrs, CT 06268 (the "Lessee"), a Regional Board of Education established per Connecticut General Statutes section 10-46, acting herein by Bruce W. Silva, Superintendent of Schools (hereinafter the "Lessee"). The Lessor hereby leases to the Lessee the premises known as the Reynolds School on Depot Road in Mansfield, CT, as follows:

SECTION ONE
DEMISE, TERM AND RENT

This Lease is to be divided into three Phases. Phase One shall begin immediately upon the execution of this Lease by the Lessor and Lessee and the submission to the State by the Lessee of the aforementioned grant application. If the grant application is denied by the State or is granted to an extent, in the judgment of the Lessee, that is insufficient to complete the Lawrence Associates plan or the School District decides that the Reynolds School is not affordable or necessary, this Lease shall terminate unless the parties agree to continue it with the condition that the Lessee will continue to pursue the necessary funding from the State or from other any other source. Phase Two shall commence immediately upon approval of the grant application of the School District by the State in an amount of funding sufficient in the judgment of the Lessee to complete the renovation of the School per the Lawrence Associates plan, and shall conclude and immediately segue into Phase Three upon the completion of construction pursuant to said plan by the Lessee to the satisfaction of the Building Department of the Town of Mansfield, evidenced by said Department's issuance of a certificate of occupancy.

During Phase One, the School District shall have the exclusive right to continue to lease the Reynolds School from the Town and may have access to the premises only for the purpose of implementing the provisions of this Lease. The Town shall maintain physical control of the building during phase I. During Phase Two, the School District may occupy the premises for the purpose of performing the renovations set forth in the Lawrence Associates plan. During Phase One and the construction Phase (Two), the School District shall insure that the Town is held harmless from liability for all purposes regarding the School District's Reynolds School venture.

Once the construction is completed as evidenced by the issuance of a certificate of occupancy on the premises issued by said Building Department, Phase Three shall begin and the Lessee may occupy the building for all other purposes and under all other terms of occupancy stated herein. Beginning with the date of the start of Phase One, this Lease shall extend for the term of twenty (20) years from said date at an annual rental of one dollar ($1.00) for the first eight years of the term, provided that prior to the end of each of the first eight years of this Lease, the Lessee shall make to the Lessor the annual payment of the amount of $38,750.00, plus interest as noted above, in partial repayment of the Lessor's loan of $310,000 to the Lessee in order to help finance the cost of said renovations. At the end of the first eight years of the lease or when the loan of $310,000 is paid off, whichever comes first, the Lessee shall pay to the Lessor an annual Lease Rental payment as mutually agreed to by both parties.

SECTION TWO
LESSEE'S COVENANTS

a. The Lessee agrees to use the demised premises only for the purpose of operating a satellite high school as noted above, and for no other purpose. The Lessee agrees to make all payments required by this Lease Agreement at the times and in the manner set forth in Section One of this Lease Agreement.

b. The Lessee shall not sublet the demised premises nor any portion thereof, nor shall this lease be assigned by the Lessee without the prior consent of the Lessor.

c. The Lessee shall comply with all obligations primarily imposed upon tenants by applicable provisions of any building, housing or fire code materially affecting health and safety; keep the leased premises as safe and clean as the conditions of the premises permit; remove all waste from the occupied premises in a clean and safe manner; keep all plumbing fixtures and appliances used by the Lessee as clean as the condition of each such fixture or appliance permits; use all electrical, plumbing, sanitary, heating, ventilating, air conditioning and other facilities and appliances in the premises in a reasonable manner; not willfully or negligently destroy, deface, damage, impair or remove any part of the premises or permit any other person to do so; conduct itself and require other persons using the premises to conduct themselves in a manner that will not constitute a nuisance.

d. The Lessee agrees to accomplish all *interior* repairs, *redecorating and maintenance* and do whatever is necessary to put and keep the premises in a fit condition suitable for the purpose of the Lessee expressed in Section Two, above. The *Lessor* agrees to *be responsible for structural interior and exterior repairs including repairs to heating, electrical, and* plumbing *systems except where such repairs are* the result of *the negligence of the Lessee. The Lessee agrees* to supply and maintain appropriate receptacles for the removal of waste and incidental to the Lessee's occupancy of the premises and arrange for its removal.

e. Once a certificate of occupancy has been issued by the Building Inspector, the Lessee will accept the demised premises in the condition they are in at that time, and without any representations on the part of the Lessor as to the present or future condition of the premises. The Lessee agrees to quit and surrender the premises at the end of the demised term in as good condition as the reasonable use thereof will permit. The Lessee shall not make any alteration, additions, or major improvements to the premises without the prior written consent of the Lessor.

f. The Lessee shall not unreasonably withhold consent to the Lessor to enter the demised premises in order to inspect the premises, make necessary or agreed to repairs, alterations or improvements, supply necessary or agreed to services or exhibit the premises to prospective or actual purchasers, mortgagees, tenants, workmen or contractors. The Lessor shall give the Lessee reasonable advance notice of his intent to enter and may enter only at reasonable times except in a case of emergency when the Lessor may enter the demised premises without consent. The Lessee also agrees that the Lessor may enter the premises without the Lessee's consent if the Lessee has abandoned or surrendered the premises.

g. The Lessee agrees that utilities and services furnished to the demised premises for the benefit of the Lessee, including water, gas, electricity, heat, refrigeration, and hot water shall be provided and paid for by the Lessee. The Lessor shall not be liable or responsible for any interruption or delay in any of the above services unless the cause of said interruption or delay is under the control of the Lessor.

h. The Lessee agrees to name the Lessor as an additional insured and to hold the Lessor harmless for any potential occurrence or contingency related to the Lessee's occupancy of the demised premises or any other involvement at the Reynolds School facility per this Lease for which the Lessee may be legally responsible.

i. The Lessee agrees to observe and comply with all laws, ordinances and regulations of the federal, state and municipal governments applicable to the satellite school to be operated by the Lessee in the demised premises. The Lessee agrees not to do or permit anything to be done in said premises, or keep anything therein, which will increase the rate of fire insurance premiums on the premises.

j. In the event of a default by the Lessee of its responsibilities required by this lease, especially the Lessee's responsibility to pay to the Lessor prior to the end of each of the first eight years of this Lease Agreement the annual payment of $38,750.00 in partial repayment of the Lessor's loan of $310,000.00 to the Lessee in order to finance the cost of renovations to the demised premises, and as additional rent, and the Lessee's obligation to pay annual rent as mutually agreed to, subsequent to the first eight years of the Lease, if any such default shall continue for more than ten days, the Lessee agrees that the Lessor may terminate and cancel this lease, institute summary process proceedings against the Lessee, if necessary, and also institute a proceeding against the Lessee for the entire amount of unpaid rent, including the additional rent, and any other sums due to the Lessor from the Lessee, including reasonable attorney's fees and costs, over the balance of the term of this Lease Agreement. All rights and remedies of the Lessor specified herein are cumulative and none shall exclude any other rights or remedies allowed by law or equity.

k. The district shall be permitted to terminate the Lease with 90 days notice to the Lessor without penalty, but will continue to be responsible for making principal and interest payments in the amount described herein.

SECTION THREE
LESSOR'S COVENANTS

a. The Lessor covenants that once Phase Three of this Lease begins, Lessee shall peaceably hold and enjoy the demised premises for as long as the Lessee fulfills its responsibilities under the terms of this Lease Agreement. In the event of a material breach of this Lease by the Lessee, the Lessor shall not lock the Lessee out of the premises, but rather will resort to negotiation and, if all else fails, summary process.

b. The Lessor agrees to permit the Lessee to erect a business sign outside of the demised premises as long as said sign is in compliance with the Zoning Regulations of the Town of Mansfield and the reasonable rules and regulations of the Lessor pertaining to signs.

SECTION FOUR
GENERAL PROVISIONS

a. All notices and demands, legal or otherwise, incidental to this Lease Agreement or the occupation of the demised premises shall be in writing. If the Lessor decides to give or serve upon the Lessee any notice of demand, it shall be sufficient to send a copy thereof by registered mail addressed to the Lessee at the demised premises, or leave a copy with the Lessee or its agent on the premises. Until further notice from the Lessee, any such notice should be addressed to Mr. Bruce Silva, Superintendent of Schools, Region 19 Board of Education. Notices from the Lessee to the Lessor shall be sent by registered mail or delivered to the Lessor at the place designated herein as the address of the Lessor, or to such party as the Lessor may designate from time to time in writing.

b. If the Lessee is in substantial compliance with the material terms of this Lease Agreement, the Lessee shall have the right to continue to occupy the demised premises from the Lessor for five additional years from the termination date hereof at an annual rent of at least $25,000.00, to be negotiated by the parties. Lessee shall exercise such option by written notice delivered to the Lessor at least three months prior to the expiration of the term.

c. In the event that the Lessee shall remain in the demised premises after the expiration of the term of this lease without having exercised the Lessee's option to renew, stated above in this section, or without having executed a new written lease with the Lessor, such holding over shall not constitute a renewal or extension of this Lease. The Lessor may, at its option, elect to treat the Lessee as one who has not removed at the end of his term, and thereupon be entitled to all remedies provided by law against the Lessee in that situation, including summary process, or the Lessor may elect, at its option, to construe such holding over as a tenancy from month to month, subject to all the terms and conditions of this Lease Agreement, except as to duration thereof, and in that event the Lessee shall pay monthly rent and other charges at the rate and in the manner provided herein to in subparagraph b. immediately above herein.

d. If any dispute should arise between the parties to this Lease Agreement regarding its terms or compliance therewith by either the Lessor or the Lessee, the parties mutually agree that they will make a good faith effort to negotiate a settlement of any such dispute, using the good offices of a neutral third party, if need be, before either party resorts to litigation in a Court of competent jurisdiction.

e. No rights are to be conferred upon either party to this Lease Agreement until it has been signed by both parties, an executed copy of this Lease Agreement has been delivered to the Lessee, and the grant application of the Lessee seeking sufficient funds from the State of Connecticut to pay for the renovations to the Reynolds School set forth in the plan of Lawrence Associates is submitted to the State.

IN WITNESS WHEREOF, the said Parties have hereunto set their hands and seals this 12 day of October, 2005

Witness:

Christine Hawthorne
Christine Hawthorne

Sharon Tyler
SHARON TYLER

Martin H. Berliner
Lessor by Martin H. Berliner, Duly Authorized

Lessee, by Bruce W. Silva, Duly Authorized

James D Maddener

Jeffrey W. Smith

Personally appeared Martin H. Berliner, signer and sealer of the foregoing Lease Agreement, and acknowledged the same to be his free act and deed as authorized representative of a party to this Lease Agreement as indicated above.

Before me,

~~Commissioner of the Superior Court~~

SHARON TYLER
NOTARY PUBLIC
MY COMM. EXPIRES JAN. 31, 2008

Personally appeared Bruce W. Silva, signer and sealer of the foregoing Lease Agreement, and acknowledged the same to be his free act and deed as authorized representative of a party to this Lease Agreement as indicated above.

Before me,

Lynda C. Breault

Commissioner of the Superior Court

Copy for the board meeting 10/05/04

LYNDA C. BREAULT
NOTARY PUBLIC
MY COMMISSION EXPIRES OCT. 31, 2007

APPRAISAL REPORT

Old Reynolds School
Town of Mansfield
Regional School District #19
85 Depot Road
Mansfield, Connecticut

BY: STEWART APPRAISAL SERVICES

TO:	Cherie Trahan Director of Finance Town of Mansfield 4 South Eagleville Road Storrs-Mansfield, CT 06168
FILE NUMBER:	15057
DATE OF VALUATION:	September 17, 2015
PROPERTY TYPE:	A 1.001 acre residential zoned parcel that is improved with a 1918 built school that was totally renovated and enlarged in 2007-08 and is now occupied by Regional School District #19 as an alternative high school in a satellite building.

Stewart Appraisal Services

REAL ESTATE APPRAISERS & CONSULTANTS
58 HARTFORD TURNPIKE
TOLLAND, CONNECTICUT 06084
(860) 871-8015
1-888-221-1292
FAX (860) 870-7752

ROBERT G. STEWART, SRA

October 30, 2015

Cherie Trahan
Director of Finance
Town of Mansfield
4 South Eagleville Road
Storrs-Mansfield, CT 06168

Re: Old Reynolds School
Town of Mansfield
Regional School District #19
85 Depot Road
Mansfield, Connecticut

Dear Ms. Trahan,

As requested I have appraised the above noted property for the purpose of estimating its Market Value in fee simple estate and its Market Rent. You, as the Director of Finance of the Town of Mansfield are the primary intended user of this report. Additional users include Bruce Silva, as the Principal of E.O. Smith High School and the Superintendent of Regional School District #19. They now occupy the subject school building. The function of the appraisal is to assist the Town of Mansfield and Regional School District #19 in regard to their existing lease which has an option to buy or extend in 2016. That is, the lease started in 2008 with an option to either purchase the property or renew the lease at market rates after eight years. This appraisal provides the Market Value and the Market Rent for the subject property so the property can either be purchased or rented at market rates.

The subject is unique in that it is a school that was custom designed and extensively renovated from 2007 to 2008 to be used as an alternative program high school. The renovations maintained the historic exterior and more than doubled the size of the building. The one story building has a raised basement level which is fully finished and the subject is considered a two story building.

The typical marketing period for the subject, to be either purchased or rented, if it were not occupied, is 18 to 24 months.

In my opinion, the Market Value as defined, of the subject as described, as of September 17, 2015 is:

SEVEN HUNDRED, FORTY THOUSAND DOLLARS
($740,000).

In my opinion, the Market Rent as defined, of the subject as described, as of September 17, 2015 is:

$8.50 per square foot per year or rounded to
FOUR THOUSAND FIVE HUNDRED SEVENTY-FIVE DOLLARS per month
($4,575 per month).

This rent is with the tenant paying all expenses with the landlord only paying for their accounting of collecting their rent and their income taxes.

The following appraisal report is offered in support of these conclusions. This appraisal report is completely in conformance with Appraisal Foundation's Uniform Standards of Professional Appraisal Practice (USPAP).

Very truly yours,

Robert G Stewart

Robert G. Stewart, SRA
Certified General Appraiser RCG.581
Expires April 30, 2016

Andrews&Galvin
Appraisal Services, LLC
16 Spring Lane, Farmington, CT 06032
860-677-5522 Fax: 860-677-5544

An Appraisal Review of a Report Prepared by Stewart Appraisal Services

OF: Appraisal Review of an Appraisal Report prepared by Stewart Appraisal Services of a 6,420 +/- SF School operated by Regional School District #19 and located at 85 Depot Road, Mansfield, CT

AUTHORIZED BY: O'Malley, Deneen, Leary, Messina & Oswecki

DATE OF VALUATION: September 17, 2015
DATE OF REVIEW September 22, 2016 A&G File Number: 216029

Andrews&Galvin
Appraisal Services, LLC

16 Spring Lane | Farmington | CT 06032 | 860-677-5522 | Fax:860-677-5544

Miles B. Andrews, MAI
miles@agvalues.com

John J. Galvin., MAI
john@agvalues.com

September 22, 2016

Mr. Kevin M. Deneen,
Attorney At Law
O'Malley, Deneen, Leary, Messina & Oswecki
P.O. Box 504
20 Maple Avenue
Windsor, Connecticut 06095

Re: ***School Property Occupied by Regional School District #19***
Appraisal Review of an Appraisal Report Prepared by Stewart Appraisal Services Transmitted October 30, 2015 and with an Effective Value Date of September 17, 2015.
85 Depot Road, Mansfield, Connecticut

Dear Mr. Deneen:

At your request, I have examined the referenced appraisal report (i.e. Stewart Appraisal) for the purpose of determining if the report was compliant with the Uniform Standards of Professional Appraisal Practice (USPAP) and determine if the market value estimated, as well as the market rent estimated, are reasonable. My conclusions are summarized in this appraisal review report. It is my understanding this review is to be used to assist the Town of Mansfield in making a business decision. A copy of the signed authorization letter is retained in our work file. The client for this appraisal review is Mr. Kevin M. Deneen, Attorney at Law, with other intended users including employees of O'Malley, Deneen, Leary, Messina & Oswecki, as well as those involved in the Town of Mansfield's business decision process pertaining to the referenced appraisal report.

This is a review of an appraisal report of a 6,420 +/- square foot (SF), two-story, school building that was built in 1918 but extensively renovated in 2008 (subject property) appraised by Stewart Appraisal Services. The property appraised is located at 85 Depot Road in the Mansfield Depot section of Mansfield, Connecticut. The building serves as the Depot Road Campus for 30 +/- high school students that are part of the Regional School District #19. This appraisal review report is intended to comply with the reporting requirements set forth under Standard 3 of the 2016-2017 Edition of USPAP. Since the Stewart Appraisal has an effective date of September 17, 2015, it has been reviewed for compliance with the previous 2014-2015 Edition of USPAP. The depth of discussion contained in this appraisal review report is specific to the needs of the client and for the stated intended use. The appraiser is not responsible for unauthorized use of this report.

The Stewart Appraisal estimated a market value of the fee simple estate, unencumbered by the lease agreement per the requested Scope of Work. The value estimated was $740,000, as of September 17, 2015. The Stewart Appraisal concluded the Highest and Best Use of the subject 'as improved' is for the "continuation of its present use as a small school serving up to 30 students" (page 28).

The valuation analysis in the Steward Appraisal relied on the Sales Comparison Approach only. This is an acceptable method of valuation; however, the Stewart Appraisal concluded "Schools sell rarely and in fact no sales of a school was located in the last 2.5 years" (page 29). Consequently, the Stewart Appraisal relied on three sales of other special purpose property types.

The three sales considered in the Stewart Appraisal were a Day Care Center, a Funeral Home and a Veterinarian Clinic. Sale 1 was a Day Care Facility in Norwich. There is no indication that the sale was confirmed; however, it does state the sale received a $500,000 loan when the purchase price was only $300,000 (Sale profile page 30). The profile further states the $500,000 involved the Small Business Administration (SBA) and the financing "included the purchase of the business as well as initial set up and work needed and ongoing operations". Though it states the financing had no impact on the purchase price, there is no discussion or adjustment in the analysis pertaining to the "work needed"; meaning the indicated adjusted unit value may be understated in terms of reflecting the subject's value.

Sale 2, 40 Jackson Street, Windham, is a Funeral Home and Sale 3, 451 River Road, Willington, is a Veterinarian Facility. Neither the Zoning section (page 22) or the Highest and Best Use section (page 28) indicate if either of these two uses are permitted in the subject's RAR-90 zone. The Stewart Appraisal just jumps to the conclusion that these two sales are comparable without any discussion if the uses would be permitted by zoning to provide support to make an ***Extraordinary Assumption*** that a Funeral Home and/or Veterinarian Facility use could be permitted in the subject's zone. As a result, it is speculative that Sales 2 and 3 should of even be considered as comparable properties in estimating the market value of the subject.

The Stewart Appraisal adjusted each respective sale price to reflect the attributes of the subject, as perceived by the appraiser, Robert G. Stewart, SRA, (CT RCG#581). The value conclusion was $740,000 or $115.00/SF of GBA. The adjustment process was very subjective, particularly one adjustment of 10% upward to reflect "the subject's historic age" (page 36). Though there was no discussion in the appraisal report that this physical factor had an impact on value, an adjustment was applied. In addition, the adjustment process only adjusted Sale 2 for age (assumed effective age), as it was built in 1952, yet no explanation was provided as to why an adjustment was not made to Sales 1 and 3. These two sales were built in 1973 and 2008, respectively, while the subject was built in 1918 and renovated in 2008.

Please note: The Stewart Appraisal stated the appraiser reviewed building plans at the time of their inspection and concluded the gross building area is 6,442 SF. This is different from the measurement of the property completed by the Mansfield's Tax Assessor's office, which concluded the subject has 6,420 +/- SF. Since the difference is minimal, and I did not have access to the same building plans reviewed by Stewart Appraisal Services, I have completed my analysis using the 6,420 +/- SF of GBA. The difference is considered trivial.

Though the sales utilized in the Stewart Appraisal are alternative uses of the subject, it is my opinion, that there are sales of schools and school related properties in the market that could have also been considered. As part of the Scope of Work for this appraisal review assignment, I was permitted to develop my own estimate of market value in order to determine if the value estimated in the Stewart Appraisal was reasonable. However, if I elected to estimate my own opinion of market value, the analysis would be limited to the data presented in the Stewart Appraisal, as well as market information and data available from within my office.

After reviewing the Stewart Appraisal I concluded my own valuation analysis was necessary. The effective date of my valuation is September 22, 2016, the date of my exterior inspection. To estimate the market value of the subject property, I developed a Sales Comparison Approach, a Cost Approach and a limited Income Capitalization Approach. ***Exhibit I*** attached is an adjustment grid detailing five sales of schools that I used to compare to the subject. The analysis concluded a value of $650,000 or $101.25.SF. The five sales selected were all confirmed and were located within Connecticut. A data search for sales of schools located throughout Connecticut, Western Massachusetts and upstate New York found there were a number of additional sales that could also have been considered. Just a few of these sales conveyed a prices up near the $115/SF range estimated in the Stewart Appraisal, but most were at prices closer to the $100/SF or less range.

For example, at the upper end of the range was a 6,068 SF school, built in 1890 on a 0.43 acre residential (R-4) zoned lot, located at 3011 Whitney Avenue, Hamden. It sold February 7, 2011 for $900,000 or $148.32/SF; however, the buyer was Quinnipiac University who was motivated to expand. Two other examples of sales in the $100/SF range or less include 1851 Whitney Avenue, Hamden and 96 Essex Road, Old Saybrook, CT. The property at 1851 Whitney Avenue sold March 4, 2013 for $1,600,000 or $94.56/SF of GBA. It was a 16,920 SF, one-story building built in 1960 on 0.78 acres of residential (R-12) zoned land. It was operated as the Lorraine D. Foster Day School but sold to the New Haven Korean Church. The property at 96 Essex Road, Old Saybrook conveyed November 25, 2013 for $660,000 or $82.50/SF. It is two buildings that total 8,000 SF of GBA (6,000 SF and 2,000 SF), each on two levels, both built in 2006 on 0.61 acres and that were in very good condition. This Old Saybrook school property had been leased by The Children's Tree Montessori School who elected to purchase it at the end of a lease term.

This sale data indicates the value range of the subject could be as high as $115/SF, as estimated in the Stewart Valuation appraisal, but in my opinion, the market value of the fee simple interest in the subject, as indicated by the sales of schools, is less. I have also considered the alternative use as a worship facility (i.e. church), which is allowed in the subject's RAR-90 zone, as indicated in the Stewart Appraisal (page 28). After researching sales of Worship Facilities, I have concluded the demand factors for this property type involve a different motivation resulting in lower unit prices being paid than for school property types. Thus, the value of the subject would be less if the highest and best use was not to continue operating as a school. For example, a 6,100 SF two building worship facility located at 1160-1180 Main Street in East Hartford, CT sold May 12, 2015 for $475,000 or $77.87/SF – less than the value indicated in ***Exhibit I*** of $101.25/SF.

The Stewart Appraisal concluded the Cost Approach was "not considered applicable" (page 37) and, therefore, not developed. The Stewart Appraisal stated "there is very limited demand for schools and they typically change use when sold" (page 37). In addition, the Stewart Appraisal goes on to say that there is very "limited demand for schools and they typically change use when sold". Because of this factor and "the historic appeal and value, a typical buyer would not consider the cost new when establishing a purchase price" (page 37). I do not agree with this argument. If the historic appeal adds no value to the subject property that could be quantified in a Cost Approach, then why does the Stewart Appraisal make an upward 10% adjustment to each of the sales used in the Sales Comparison Approach for "the subject's historic age" (page 36)?

In my opinion, the Cost Approach is very applicable, as the subject is not only a special purchase property type were the Cost to construct new is almost always considered in a purchase decision by the pool of users, it is applicable because the school was also completely renovated in 2008, is ADA compliant and is in very good condition with an overall effective age of approximately 15-20 years. ***Exhibit II*** attached displays a summary of the Cost Approach I have developed.

The Cost Approach in ***Exhibit II*** is based on a land value estimate of $80,000, which was estimated by reviewing residential zoned lot sales over the past several years from within the Town of Mansfield. Supporting land sales data has been extracted from an on-line data service and retained in my work file. The cost data was extracted from the Marshall & Swift, Marshal Valuation Service (Section 20 – Schools). The contributory value of the elevator, the shed and the sprinkler systems in the subject were also considered. It is noted that the Tax Assessor's 100% value for the October 1, 2014 Grand List was $1,214,300. An email from a representative of the Town's revaluation company addressed to the Tax Assessor indicates the $1,214,300 was derived solely by the Cost Approach. The email also indicates the value may be too high. Neither the email nor the Mansfield Tax Assessor's field card indicate if the proper amount of depreciation was used. Not deducting the appropriate amount of depreciation would result in overestimating the assessment of the property.

In ***Exhibit II*** attached, the cost value is based on replacement cost value (see definitions page 16 of this review report), as opposed to a reproduction cost. The building is estimated to have an effective age of 15 years and an estimated life of 55 years (Life Expectancy Guidelines Section 97, Page 15, November 2014 of Marshall & Swift cost manual). This results in a deduction from the Replacement Cost New of 33.3% (15 years / 45 year expected life = 33.3% depreciation deduction). By itself, this would indicate a value in the range of $960,000 by the Cost Approach, but in my opinion, a further deduction is required for functional obsolescence (a form of depreciation). The subject is two levels, but the first level is partially below grade. Most new schools are typically on one level or all above ground to provide a lot of natural light. Therefore, a further deduction of 20% is necessary. The result is a value indicated by the Cost Approach of $785,000. This is in line with the $740,000 value estimated by the Stewart Appraisal.

The Stewart Appraisal did not develop the Income Capitalization Approach either. The reason stated was that "buyers and sellers of the subject type property are not looking at the property as an investment creating an annual return" (page 37). The Stewart Appraisal also stated that "virtually every school researched was owner occupied". As a result no rental data pertaining to schools was provided in the Stewart Appraisal. In my opinion, this is a try conclusion, but there are schools in the market that are rented. However, the rents are typically structured based on operating costs, with some premium added that is considered affordable to the Lessee (i.e. tenant) and covers some portion of a budget for the Lessor (i.e. property owner). In nearly every case, both parties tend to be non-profit groups. Thus, they do not have an economic incentive to make a profit off rent income.

Retained in my work file are several rents of school properties, or portions of school properties. The rents range from the $6.00/SF range up to $16.00/SF of the net rentable area. The low end of the range had expense terms were the tenant (Lessee) had to pay for all of the operating expenses, including real estate taxes (since rent income is involved from unrelated parties – the properties can loss their non-profit status and be taxed). The high end of the range was for a portion of a school in a first tier suburb with strong housing prices and where all of the operating expenses were considered in the rent -- including utilities.

The rent estimated in the Stewart Appraisal was $8.50/SF, NNN – meaning the tenant had to pay all of the operating expenses. This was derived by reviewing two medical office rents (one being a listing) and rents in a retail-office property. Though analyzing office and retail rents is a portion of the rental survey process when estimating a market rent, it is my opinion that school rents and rents for special purpose property types allowed in the RAR-90 zone should also be considered in order not to under or overestimate the market rent.

Exhibit III attached incorporates the Stewart Appraisal Rent value conclusion of $8.50/SF into an Income Capitalization analysis. Using the NNN rent terms, where the tenant pays all of the operating expenses, and incorporating an overall capitalization rate of 7.8% (developed using a Mortgage-Equity Analysis and supported by RERC), the indicated value is only $615,000. This is well below the value of $740,000 estimated in the Stewart Appraisal. However, using a rent of $9.00/SF, which works out to $4,815 per month, as indicated in ***Exhibit IV***, and the value indicated by the Income Capitalization Approach is $650,000, in line with the value estimated by the Sales Comparison Approach in ***Exhibit I***. Thus, the data indicates the Stewart Valuation estimate of market rent of $8.50/SF, which equates to Stewart's monthly rent estimate of $4,575, is slightly under estimated.

REVIEW CONCLUSIONS

The value I estimate, with the Scope of Work limited to data available from my desk, reflects a value by the Sales Comparison Approach in ***Exhibit I*** of $650,000. The value indicated by the Cost Approach outlined in ***Exhibit II*** was $785,000. The value indicated by the Income Capitalization Approach in ***Exhibit IV*** was also $650,000. In reconciling a final value estimate, it is my opinion, that some weight would be placed on the Cost Approach (40%) while most weight would be placed on the values indicated by the Sales Comparison Approach (60%), as supported by the Income Capitalization Approach. This equates to a final value estimate of $700,000.

$785,000 x 40% = $314,000
$650,000 x 60% = $390,000
Final Estimate: $704,000

SEVEN HUNDRED THOUSAND DOLLARS
(Rounded to: $700,000)

Based upon my review of the referenced appraisal report with Standard 1 and 2 requirements of USPAP in mind, it is my opinion that the reviewed Stewart Appraisal report does not comply with all of the requirements of USPAP in effect for the September 17, 2015 effective valuation date, as documented in the attached review report. It is also my opinion that the value estimated of $740,000 is at the high end of the range, which is approximately $650,000 to $785,000 (reconciled at $700,000). In addition, it is my opinion that the market rent of $8.50/SF is slightly on the low end of a reasonable range (approximately $9.00/SF, NNN) given the market value estimated by the Sales Comparison Approach and Cost Approach, as outlined in ***Exhibits I, II and IV*** attached.

REVIEW CONCLUSIONS, CONTINUED

My valuation analysis is based on the Scope of Work also outlined in the attached report. It is also based on the ***Extraordinary Assumption*** that the subject can continue to be utilized as a school, or other uses allowed by zoning. It is based on the ***Extraordinary Assumption*** that the subject is as briefly described in the reviewed appraisal, that there are no zoning code, building code, or fire code violations, and that there are no items of deferred maintenance. My value conclusions are based on the ***Extraordinary Assumptions*** that the gross building area and net rentable area are as indicated in ***Exhibits I, II and III***. It is also based on the definitions included in the Addenda, as well as the Assumptions and Limiting Conditions with additional supportive data contained in my work file.

The valuation is based on the ***Hypothetical Condition*** that there is no lease in place so that property rights of the fee simple interest could be valued. Please note, if the rights of the leased fee interest were appraised, given consideration to the existing lease currently encumbering the property (copy retained in our work file), the value estimate likely would change. Estimating the impact on value created by the existence of the lease encumbering the property is beyond the Scope of Work of this review assignment.

My value opinion also does not include any contributory value associated with any furniture, fixtures, or equipment (FF&E) or personal property. For example, the Steward Appraisal indicates the building contains technology, a kitchen and a security system. The contributory value of these items, if any, is not included in my value conclusion. I reserve the right to revise my valuation analysis should any of these assumptions prove to be otherwise.

Respectfully submitted,

Digitally signed by John J Galvin
DN: cn=John J Galvin, o, ou, email=john@agvalues.com, c=US
Date: 2016.10.01 14:19:59 -04'00'

John J. Galvin, MAI
Certified General Real Estate Appraiser
RCG#: 0000758, Expires April 30, 2017

Town of Mansfield
Health Insurance Fund
Estimated Revenues, Expenditures and Changes in Fund Balance
FY 17/18 - 20/21

	FY 17/18 Actual	FY 18/19 Actual	FY 19/20 Adopted	FY 19/20 Estimated	FY 20/21 Proposed
Revenues:					
Premiums	$ 9,579,048	$ 9,118,890	$ 8,486,500	$ 8,486,500	$ 8,053,047
Interest Income	35,411	69,202	40,000	55,000	40,000
Insurance Refunds					
Transfers In - CNR Fund					
Total Revenues	9,614,459	9,188,092	8,526,500	8,541,500	8,093,047
Expenditures:					
Salaries and Benefits	79,918	84,976	77,820	93,190	130,000
Retention/Access Fees (Admin)	642,988	549,202	481,140	481,140	458,280
Employee Wellness Program	98,208	93,859	102,700	86,500	86,500
HSA Contributions	368,507	583,111	581,640	582,310	624,200
Consultants	31,070	67,878	35,000	85,760	76,500
Shared IT Services		-	10,000	10,000	10,000
PPACA Fee		-			
Medical Claims	7,505,383	6,586,096	7,718,440	6,550,000	6,847,640
OPEB Contribution			500,000	1,200,000	600,000
Total Expenditures	8,726,074	7,965,122	9,506,740	9,088,900	8,833,120
Revenues Over/(Under) Expenditures	888,385	1,222,970	(980,240)	(547,400)	(740,073)
Fund Balance, July 1	3,232,627	4,121,012	5,343,982	5,343,982	4,796,582
Fund Balance, June 30 (Res. for Future Claims)	$ 4,121,012	$ 5,343,982	$ 4,363,742	$ 4,796,582	$ 4,056,509

Town of Mansfield/Mansfield Board of Ed/Regional School 19
Calculation of Reserve Balance

MONTH	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
JULY	$ 726,844	$ 670,831	$ 624,986	$ 635,511	$ 677,529	$ 598,615
AUGUST	642,551	543,358	559,616	693,352	637,797	477,734
SEPTEMBER	807,550	585,211	526,981	580,713	448,658	373,235
OCTOBER	804,719	601,860	730,529	626,574	487,416	580,592
NOVEMBER	699,223	636,890	593,143	494,144	619,810	746,713
DECEMBER	962,302	591,806	818,113	706,518	546,872	745,602
JANUARY	204,233	662,815	634,365	560,142	505,673	***587,000*** ***Est.***
FEBRUARY	916,556	672,054	495,084	581,428	466,497	***587,000*** ***Est.***
MARCH	1,077,897	703,019	583,507	523,374	486,400	***587,000*** ***Est.***
APRIL	703,022	768,447	484,549	525,605	521,710	***587,000*** ***Est.***
MAY	509,140	566,735	457,160	554,640	670,668	***587,000*** ***Est.***
JUNE	648,834	614,551	484,562	776,142	572,111	***587,000*** ***Est.***
ANNUAL TOTAL	$ 8,702,872	$ 7,617,578	$ 6,992,596	$ 7,258,143	$ 6,641,141	$ 7,044,491
MONTHLY AVG	$ 725,239	$ 634,798	$ 582,716	$ 604,845	$ 553,428	$ 587,041
3 YEAR AVERAGE			$ 7,771,015	$ 7,289,439	$ 6,963,960	$ 6,981,258
(1) Reserve-30% of Annual 3 Yr. Rolling Average					2,202,441	2,123,466
(2) Reserve = 4 Month's Average			2,330,865	2,419,381	2,213,714	2,348,164
Health Ins Fund - Fund Balance @ June 30th (Act/Est)	$ 729,603	$ 1,182,611	$ 3,232,627	$ 4,121,012	5,343,982	***4,796,582***
Required Reserve (Greater of (1) or (2)			-	-	2,213,714	2,348,164
Excess/(Shortage)			$ 3,232,627	$ 4,121,012	$ 3,130,268	$ 2,448,418

March 5, 2020

Town of Mansfield/Mansfield Board/Region 19
Calculation of Health Insurance Surplus for Distribution
As of March 5, 2020

Enrollment	No. of Contracts	Allocated Share
Town of Mansfield	87	23%
Mansfield Board of Education	162	43%
Region 19	131	34%
Total No. of Contracts (Employees)	380 [1]	

	FY 19/20	FY 20/21
Total Estimated Excess @ 06/30 Prior Yr	$ 3,130,268	$ 2,448,418
Less: Estimated FY 19/20 FB Drawdown	(1,200,000)	(600,000)
Estimated Remaining Surplus	$ 1,930,268	$ 1,848,418

Partner Distribution	FY 19/20	FY 20/21
Excess Amount to Distribute	$ 1,200,000	$ 600,000
Town of Mansfield Share	274,737	137,368
Mansfield Board of Education Share	511,579	255,789
Region 19 Share	413,684	206,842
Total Distribution	$ 1,200,000	$ 600,000

	FY 19/20			FY 20/21		
Partner Uses	OPEB	Other	Total	OPEB	Other	Total
Town of Mansfield Share	274,737		274,737	137,368		137,368
Mansfield Board of Education Share	511,579		511,579	255,789		255,789
Region 19 Share	140,362	273,322	413,684	33,074	173,768	206,842
			$ 1,200,000			$ 600,000

Unfunded Accrued Liability (UAL)

Description	Town	Board	Region 19
Actuarial Accrued Liability 7/1/2018	$ 1,874,950	$ 1,059,084	$ 346,163
Assets as of 7/1/2018	389,560	78,036	211,775
Funding Ration as of 7/1/2018	20.8%	7.4%	61.2%

[1] Medical Insurance # of Contracts excluding retirees

Government Finance Officers Association

BEST PRACTICE

Core Elements of a Funding Policy

BACKGROUND:

Compensation packages for active workers may include pensions as well as health-care and other similar benefits for those employees after they have completed their active service. Generically, health-care and other benefits are described as other postemployment benefits (OPEB) to distinguish them from pensions.[1] Employers are required to recognize the cost of pension benefits as employees earn them, and the Governmental Accounting Standards Board (GASB) has now extended this same requirement to OPEB.[2] While pensions have long been funded on an actuarial basis, OPEB plans have not. The change in accounting standards has focused attention on the costs of OPEB, including concerns about rising health-care costs and an aging public-sector workforce. The real issue is not the change in accounting standards for such a funding policy and OPEB, as such, but rather the underlying budgetary and funding challenge that those accounting standards highlight. Meeting this challenge requires government finance officers to ensure that both pension and OPEB are sustainable over the long term - that they are affordable to stakeholders, competitive, and sufficient to meet employee needs, and that they may be reasonably expected to remain so.

RECOMMENDATION:

GFOA recommends that every state and local government that offers defined benefit pensions and/or OPEB formally adopt a funding policy that provides reasonable assurance that the cost of those benefits will be funded in an equitable and sustainable manner. Such a retirement benefits funding policy would need to incorporate the following principles and objectives:

1. Every government employer that offers defined benefit pensions or OPEB should obtain no less than biennially an actuarially determined contribution (ADC) to serve as the basis for its contributions to those respective plans;
2. The ADC should be calculated in a manner that fully funds the long-term costs of promised benefits, while balancing the goals of 1) keeping contributions relatively stable and 2) equitably allocating the costs over the employees' period of active service;
3. Every government employer that offers defined benefit pensions or OPEB should make a commitment to fund the full amount of the ADC each period. (For some government employers, a reasonable transition period will be necessary before this objective can be accomplished);
4. Every government employer that offers defined benefit pensions or OPEB should demonstrate accountability and transparency by communicating all of the information necessary for assessing the government's progress toward meeting its pension funding objectives.

These principles and objectives necessarily will affect decisions related to the treatment of three core elements of a comprehensive pension funding policy:

- *Actuarial cost method* - the technique used to allocate the total present value of future benefits over an employee's working career (normal cost/service cost).
- *Asset smoothing method* - the technique used to recognize gains or losses in pension assets over some period of time so as to reduce the effects of market volatility and stabilize contributions.
- *Amortization policy* - The length of time and the structure selected for increasing or decreasing contributions to systematically eliminate any unfunded actuarial accrued liability or surplus.

To ensure consistency with the principles and objectives described above, the GFOA recommends that a pension funding policy treat each of its core elements as follows:

Actuarial cost method. The actuarial cost method selected for funding purposes should conform to actuarial standards of practice and allocate normal costs over a period beginning no earlier than the date of employment and should not exceed the last assumed retirement age. Moreover, the selected actuarial cost method should be designed to fully fund the long-term costs of promised benefits, consistent with the objective of keeping contributions relatively stable and equitably allocating the costs over the employees' period of active service.[3] While not the only method that would satisfy this criterion, the entry age method—level percentage of pay normal cost—is especially well suited to achieving this purpose.

Asset smoothing. The method used for asset smoothing should:

- Be unbiased relative to market. For example:
  - The same smoothing period should be used for both gains and losses, and
  - Market corridors (a range beyond which deviations are not smoothed), if used, should be symmetrical[4], and
  - Provide for smoothing to occur over fixed periods (the use of rolling periods normally should be avoided), ideally of five years or less, but never longer than ten years.
    - Provide for a market corridor if smoothing is to occur over a period longer than five years.

Amortization. Amortization of the unfunded actuarial accrued liability[5] should:

- Use fixed (closed) periods that
  - Are selected so as to balance the twin goals of demographic matching (equitable allocation of cost among generations) and volatility management (funding at a level percentage of payroll) and
  - Never exceed 25 years, but ideally fall in the 15-20 year range;
  - Use a layered approach for the various components to be amortized (that is, an approach that separately tracks the different components to be amortized); and emerge as a level percentage of member compensation or as a level dollar amount.

Additional considerations for plans closed to new entrants. When a plan is closed to new participants, the aggregate actuarial cost method – level percentage of pay normal cost – is especially well suited for funding.

For closed plans with no remaining active members:

- Special attention needs to be given to the mix of investments (given the shorter time horizon); and
- In comparison to open plans:

- Asset smoothing periods should be shorter (typically no longer than three years);
- Corridors, if used, should be narrower; and
  - Amortization periods should be shorter (typically no longer than 10 years for gains and losses).

For closed plans that still have active members:

- The continued use of level percent of member compensation amortization remains appropriate, but not for a long period (i.e., as the number of active members decreases); and
- In comparison to open plans:
  - Asset smoothing periods should be shorter;
  - For asset smoothing periods that exceed five years, a corridor (not to exceed 20 percent) should be used; and amortization periods should be shorter.

Other policy statements. A funding policy can also give a government an opportunity to make statements identifying the conditions under which future benefit enhancements or reductions would be evaluated. For example, a funding policy could state that future benefit enhancements would only be considered if the cost of those enhancements do not cause the plan's funded ratio to go below 100%, or in the alternative, cause the ADC to rise above a certain level.

Notes:

[1] Some government employers choose to augment other elements of employee compensation rather than providing OPEB.

[2] See GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Financial Accounting Standards Board (FASB) has required the same of private-sector employers since the implementation of FASB Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, which was released in 1990.

[3] Employers using some other actuarial cost method should carefully monitor demographic changes and trends in the covered workforce inasmuch as such changes could result in increased employer contributions as a percentage of payroll.

[4] Generally, the appropriate corridor will depend upon the length of the smoothing period, with longer smoothing periods requiring narrower corridors.

[5] Special considerations may apply to the amortization of a surplus (e.g., use of a longer amortization period).

References:

Conference of Consulting Actuaries Public Plans Community, *Actuarial Funding Policies and Practices for Public Pension Plans*, October 2014

Wells Fargo Municipal Securities Research, *Analyzing Public Pensions, Item 5. Are There Constraints on Benefit Enrichment?*, April 23, 2014

203 N. LaSalle Street - Suite 2700 | Chicago, IL 60601-1210 | Phone: (312) 977-9700 - Fax: (312) 977-4806

Town of Mansfield
Finance Department

MEMO

To: John Carrington, Interim Town Manager
From: Cherie Trahan, Director of Finance
Date: April 20, 2020
Subject: **Proposed Capital Improvement Program Adjustments**

Periodically we adjust and close out capital projects as appropriate. The adjustments listed below reduce the appropriation for projects that came in under budget and increase the appropriation for projects that came in over budget. In addition, we are recommending the following:

1. The appropriation of a donation made to the Lenard Hall project - $38,790
2. The appropriation of vehicle auction proceeds, deposited to the CNR Fund to be used for tree removal - $14,166
3. The transfer of professional & staff development funding no longer needed, to be used for furniture and office renovations, primarily for the Finance office and Town Manager's/Human Resources office - $32,226
4. The appropriation of funds transferred by the Board of Education on November 14, 2020 for the purpose of adding funds to the Middle School renovations capital account - $200,000

The following chart reflects all proposed adjustments:

Close Project	Project	Funding Adjustment	Notes
Close	84809 Senior Center Chairs	211	Close out project - appropriate additional funding needed
	85108 Eagleville School House - CSA	38,790	Appropriate additional contribution funding received
	81612 Fleet Vehicle	443	Appropriate additional funding needed
Close	81824 Professional & Staff Development	(32,226)	Close out project - reduce to actuals and move to 86309 Furniture
Close	81826 Town Manager Process Review	(11,950)	Close out project - reduce appropriation to actual move to 81827 TM Recruitement
	81827 Town Manager Recruitement	11,950	Appropriate additional funding from 81826 TM Process Review
Close	81921 Classification & Compensation Study	700	Close out project - appropriate additional funding needed
	86309 Furniture and Furnishings	32,226	Appropriate additional funding from 81824 Prof & Staff Development
Close	86336 Energy Management Plan	(25,000)	Cancel project - not needed with new school project
	86296 Oil Tank Repairs - All Buildings	390	Appropriate additional funding needed
Close	86311 Tractor Replacement	(400)	Close out project - reduce appropriation to actual
Close	86323 MMS Gym Renovation	(3,322)	Close out project - reduce appropriation to actual
Close	86329 Storage Upgrades	(453)	Close out project - reduce appropriation to actual
Close	86330 MMS Fire Alarm Panel	(19,020)	Close out project - reduce appropriation to actual
	86292 School Building Maintenance	22,342	Appropriate funding from 86323 MMS Gym Renovation and 86330 MMS Fire Alarm Panel
	86402 MMS Renovations	200,000	Appropriate funding from Mansfield Board of Education
Close	82823 Rescue Equipment	(1,616)	Close out project - reduce appropriation to actual
Close	82829 Replacement ET207	(252)	Close out project - reduce appropriation to actual
	82847 Fire Station Study	(15,005)	Reduce appropriation to actual for contract
	83101 Tree Replacement	47,917	Appropriate additional funding needed from auction proceeds that have been deposited in the CNR Fund $14,166 and savings from listed projects $38,700.
	83638 Small Dump Truck	5,710	Appropriate additional funding needed
Close	83922 Bucket Truck	(2,626)	Close out project - reduce appropriation to actual
Close	83923 Toolcat Utility Work Machine	4,147	Close out and appropriate additional funding needed
	Total:	$ 252,956	