

Town of Southington
Board of Finance
Wednesday, November 14, 2012

STENOGRAPHER'S NOTE: The Minutes are now being prepared in summary style. Please refer to the videotape for more details.

Appropriations from Contingency Account:

Approved to date.....	\$ 265
Approved this meeting.....	<u>0</u>
Total Appropriations.....	\$ 265

Appropriations with Revenue Offsets:

Approved to date.....	\$ 197,708
Approved this meeting.....	<u>2,000</u>
Total Appropriations.....	\$ 199,078

Chairman John Leary, called the Regular Meeting of the Town of Southington Board of Finance to order at 7:00 p.m. in the Council Chambers of the Town Hall with the following members in attendance:

Sandra Feld, Joseph Labieniec, Edward Pocock, Jr. & Wayne Stanforth

Also in attendance: Emilia Portelinha, Finance Director
Garry Brumback, Town Manager
Mark J. Sciota, Deputy Town Manager/Town Attorney

Absent: Anthony Casale, Jr., Board Member

The Pledge of Allegiance to the American Flag was recited by everyone in attendance.

JOHN LEARY, CHAIR, Presiding:

III. Public Hearing Items

None

IV. Old Business

1. Approval of Minutes from the October 17, 2012 Special Meeting

Mr. Stanforth made a motion to approve as presented. Mr. Pocock seconded. Motion passed unanimously on a voice vote.

The Chair asked for unanimous consent to move the executive session up to the front of the meeting. Mr. Stanforth so moved and Mr. Pocock seconded. Motion passed unanimously on a voice vote.

Meeting adjourned to executive session excluding the press and the public but including the Board of Finance, the Finance Director, the Town Manager and the Town Attorney regarding labor, litigation and environmental.

(Whereupon, the meeting adjourned to executive session at 7:02 o'clock, p.m.)

EXECUTIVE SESSION

The Southington Board of Finance entered executive session with the following in attendance in order to discuss labor, litigation and environmental issues.

The following Councilpersons were present, viz:

Wayne Stanforth	Joseph Labieniec
Edward Pocock, Jr.	Sandra Feld
John Leary, Chair	

Ex-officio members present were as follows:

Garry Brumback, Town Manager
 Mark J. Sciota, Deputy Town Manager/Town Attorney
 Emilia C. Portelinha, Finance Director

Absent: Anthony Casale, Jr.

No motions were made or votes taken during executive session.

Mr. Stanforth made a motion to adjourn from executive session. Mr. Pocock seconded. Motion passed unanimously.

(Executive session was adjourned at 7:38 o'clock, p.m.)

REGULAR SESSION

John Leary, Resuming the Chair:

The Chair asked for unanimous consent to move the discussion on the Middle Schools, Mr. Stanforth so moved the motion and Mr. Labieniec seconded. Motion passed unanimously on a voice vote.

Middle School Building Committee Report

Mr. Pocock introduced the item. We have quite an extensive report and I am going to turn it over to Attorney Sciota.

Mr. Sciota stated that there was pcbs discovered at both middle schools. I want to go over the current estimates as of today's date. There are two aspects. The worst case scenario would be if the EPA requires the town to take out what is called the vapor barrier. The vapor barrier is between the exterior brick and the metal beams. What you have is the metal beams, you have cinder blocks and you have a 4-inch gap in-between with a membrane and then you have the brick. The membrane itself is adhered to the cinder block with a material that contains a high level of pcbs.

The town's position is that we would like to keep that in place with monitoring. As you know, we have already performed all the air monitoring and the schools are perfectly safe. There has not been one issue of pcbs airborne in the schools and we'd like to continue to do that.

If we are allowed to do that, then currently, what we have is we have approximately \$6,442,000 in environmental cleanup if we're allowed to keep the vapor barrier in place. With that, taking into account what we had with the schematic design budget and most importantly the design budget, now it's complete, we are currently at a number of about \$4,380,000 over budget.

How did we get to that point? The first thing you have to remember is that we are operating with an \$85 million budget. With the \$85 million, we went to schematic design and we were approximately 1.2% over budget. Schematic design was about eight weeks ago.

After schematic design, the building committee moves forward with making small changes as you go from schematic design to design development which is just shy of doing the construction documents. During that period of time, it was discovered upon giving us the design budget which took place about a week ago, that there were two substantial key items which did not take place in the schematic design budget. The biggest one was an incorrect reading the square footage. Instead of using the 141,000 sf, the number of 135,000 sf was used. Immediately, the schematic design budget was 6,000 sf off. With that there is an allocated number per square foot. So, using that number alone, that set us off for a multi-million dollar difference in schematic design and design development budgets.

The second one was a code requirement that required when you have a large addition attached to an existing building, you have to build a firewall. In this case, the firewall for both schools would be about \$1.9 million.

When you have a schematic design budget which is 1.2% over budget and a design development budget with those two big numbers added to it, plus some smaller things, give you a large differential.

At the same time we were doing that, we were trying to value management of the project to try and get at least the amount of environmental costs covered in the value engineering. The subcommittee performed an admirable job and in the long run about \$11 million was value engineered out of the project.

With that in mind, taking that number and take the number we have for the best case scenario for environmental and take in mind what the over estimates --- it's not an overrun. If the numbers were done correctly at schematic design, those would have been the numbers. The problem was or the frustrating part is that we were operating for a period of six to eight weeks thinking that we were 1.2% within budget, which is nothing. That's easily made up during design development.

That eight week period when we thought we were in budget, that was the part that is frustrating. We thought we were going to go into a meeting and say okay, using value engineering and value design; we are going to have enough money to cover the best case scenario of the environmental. Instead it was a double whammy. The whammy of the two big items and some smaller items missed and then the environmental. That was the best case scenario I just went over.

The worst case scenario would be if the EPA says to the town that I am sorry but under no circumstances will we allow you to have the vapor barrier stay in place. At which point, we are talking about a large amount of money --- at least \$10 million to \$11 million more that we talked about.

You have to understand that that would mean every bit of brick has to be removed from the exterior. The cinder block has to be treated and all the vapor barrier has to be removed. Then all the testing has to take place.

We hope by early next week we get an oral from EPA saying please submit your plan for abatement based upon the vapor barrier staying in place. If we get an oral, we want to do our remediation plan by the end of this month so we hope we have it by the end of March. That's the best case scenario.

The worst case scenario would be approximately \$12,200,000 in the red.

That's where we sit currently.

Ms. Feld spoke about the miscalculation of the square footage. That was Fletcher Thompson and Newfield? Attorney Sciota replied it was both.

Explained.

Ms. Feld asked what protection there was for the town when something like that happens. I am asking: do we have something in our contracts, an incentive, and disincentive? Attorney Sciota said it is based upon the construction costs. The timeframe in the contract sets forth what the original frame was which was August, 2015 completion.

The aspect of the pros and cons, we have in the past used the carrot and the stick. The carrot is never an issue. Most contracts go up substantially when you start using the stick and the percentages go higher. It would have nothing to do with this aspect of it.

In this situation, what you have is a budget. And, as frustrating as it is, the design development budget, after everything we reviewed is the correct budget. The numbers are correct. The frustrating part of it is we didn't know they were correct until design development. We should have known at schematic design. Would it have changed if we were told at schematic design? Sure. We could have said we're going to be \$9 million over budget at schematic design. It would've given us another six weeks to try and work that out. Bottom line, we have now worked it and everyone agrees, we have worked this project to the bone and we still keep the ed specs and integrity of the project.

From a damage standpoint, from schematic design to design development, there is no damage there other than the fact we are terribly frustrated and upset because if we knew at schematic design, we would have worked out the same numbers. What is the bottom line? Yes we are upset about it but we have a true budget. We don't like the fact we didn't know about it for six or eight weeks, but we have a true budget which everyone agrees upon. That is what is going to cost to build the schools the way we want to build them.

Ms. Feld further asked why money wasn't set aside for the pcb removal. Did nobody know about it? Attorney Sciota responded there is a budget for each school for environmental cleanup. We all knew there was asbestos in there and that's in the budget. The question is what was put in there for pcbs was not even close.

Ms. Feld asked why. Attorney Sciota referred to when the feasibility study was done. An environmental person was hired and explained to the BOE at the time that each school had approximately \$50,000 of costs. The feasibility study was Fletcher Thompson. Enviromed did the environmental.

The Chair questioned with their experience with schools built in this time frame they couldn't predict there was a vapor barrier and if remediated it could cost X amount of millions of dollars? Attorney Sciota said they could have predicted it but they didn't. Nobody did.

The Chair said that was a fail in the estimate. Attorney Sciota said we have a fail in the budget for the environmental cleanup which is woefully inadequate. If there were no environmental aspects in here --- talking about a 10 percent overage when it comes to design development, that's a high number but workable. When you are talking \$8 million over in an \$85 million project, that's workable.

Were we happy we didn't know about it for the six weeks or eight weeks? In the grand scheme of things without the environmental, we would have value engineered it to where we are right now.

Attorney Sciota explained the best case scenario is \$90 million. Explained.

The key here on whether this project is viable is the decision of the EPA. When you are talking about \$4.3 million, that's one thing. But \$12.2 million is an entirely different story. We've gone as far as we can with the design aspect of it. We still need to move forward with the design because of the time frame we have.

Also, remediation requires three summers to remediate. That requires an extra year so instead of August of 2015, it's now August of 2016.

You have to also factor in any additional soft costs for the extra year. (Job sites, additional costs for the experts, etc.) The hard costs won't change very much.

Discussion.

Mr. Labieniec asked for the explanation on the errors. Attorney Sciota said the actual building design has it at 141,000 but there was a narrative that they were using with the 135,000. That narrative mistake was carried on through the entire estimating process from both companies. Mr. Pocock offered the estimator did not take into consideration the courtyard, they reduced. The firewall was explained as: they missed it.

Discussion.

Attorney Sciota explained we are going to continue to move and get to the state by the January deadline we have. We now move from design development to construction documents. That's based upon the budget you see here with the cuts by the building committee. If we don't do that, the next available date is June to go to the state to

review and we would blow our special act and another summer meaning the earlier the project would be done in August 2017.

Our environmental person is discussing with EPA, District 1 in Boston to get the oral answer from them on the vapor barrier.

The Chair asked if we would go now to another referendum to get the additional money or to reinstate some things in the design that were anticipated to be taken out and value engineered. Attorney Sciota said once we know the exact figure, the smaller figure or larger figure, then the town council working very closely with this board, the administration and the BOE, will make a decision on how to fund this. (Grants, put it in the budget, or modified referendum)

Eligible costs reimbursed from the state are 53.2%. Discussion.

(Attorney Sciota left the meeting.)

V. Assess current financial state of the town

1. Review revenue vs budget

Ms. Portelinha stated our current property tax revenue is about \$1 million over the estimated budget. A timing issue. Prior years' taxes, we have \$350,000 over budget. That mostly due to a previous tax sale and we sold 100 Executive Boulevard and got the taxes and interest of \$266,000. Interest on taxes \$62,000 above budget.

Building permits and fees are about \$70,000 over budget and that's from the Hilton Homewood Suites.

Interest on investments is about \$40,000 under budget at this point although is \$12,000 higher than last year at this time.

Town Clerk fees have rebound nicely. We're about \$47,000 over.

No substantial grants have come in this month.

No change with the vo-ag tuition.

2. Review expenses vs budget

Ms. Portelinha said we are doing fairly well. No departments have approached me regarding major issues. I did run an overtime report through October. The police department has used about 38%, fire department about 44%, highway department about 29% and bulky waste about 44% through October 31st. The sewer plant, we are at 31% in overtime. Those are the larger department.

In the rest of the expenditure budget, there is nothing that jumped out at me that we need to be concerned with at this point.

Mr. Stanforth said the fire department would be a concern. He did not see the seasonality in that. Unless there were some big issues. Our worse fear will materialize that we cut that budget and we are going to have to fund it by the end of the year as they've used that and then some.

Mr. Brumback said they have had some fairly significant events that have driven their overtime budget. Explained.

Secondly, is I am optimistic that the review you approved looking into the operational side of the fire department is going to show us ways to improve efficiency such that it's not too late to recover. The review has begun. We're hoping to get it done by right after the first of the year. We'll have half a year to evaluate and implement some of the recommendations.

Mr. Labieniec said if you look at what was cut, they are closer to the 33% mark. It's a good point and we need to watch it.

In response to a comment by Mr. Pocock, Mr. Brumback explained the fire department is actively going after insurance companies and other reimbursable that are going to show up on the revenue side and may not necessarily go back to the fire department.

3. Review Middle Schools Project Costs

Discussed earlier in the Minutes.

4. Review Projected Bond Principal & Interest Repayment schedule

The Chair asked if there were questions at this time or should we discuss it at a different time. We asked Emilia to put together a bond schedule anticipating the recent referendum \$11 million for our roads and that'll come in over three years. We've asked for that to model the potential middle schools.

Mr. Brumback commented that none of either of those two events will cause us to go outside the boundary of the current policy. We stay below the 8% and we also stay below the Grand List of 3%.

Mr. Stanforth asked about the bonding costs. Ms. Portelinha explained they have not been included in this as these are estimates. The timing isn't exact. We've been paying about \$150,000 to \$200,000 per bond issue. Its contingent on the amount of work bond counsel does and how much the rating agencies charge us. Several things come into play.

Mr. Brumback explained the finance department has worked very hard to refinance some bonds issued back in 2005. I'm very happy to report the refinancing is going to result in a savings to the town of a little over \$787,000 most of which will be realized to offset next year's cost. Kudos.

We got a rerating and it continues to be a AA+ which is extraordinary for a municipality of our size.

Ten year bonds hit an all time low at 1.57. Ours came in at 1.50 for 13 years. We're thrilled. The agencies cited both the financial management of the town and a lot of the policies this board has enacted.

5. Discuss unplanned items that impact revenue or expenses

Mr. Brumback said very few unplanned expenses at this point aside from those we talked about in executive session.

The selling of 100 Executive Boulevard was significant, approximately \$266,000. The Hilton Hotel, \$70,000 was also unanticipated. This year is the year we count the tax relief payment of approximately \$400,000. Those were unexpected revenues. We'll get our FEMA reimbursements and have started to see that trickle in. We're expecting around \$750,000. We clocked in about \$2500 at this point.

6. Sub Committee Reports (Emphasis on financial aspects)

A. Sewer Committee

Mr. Stanforth reported most of the projects are in process or on hold. Nothing new to report on the financial aspect at the sewer committee.

Ms. Feld added some mention should be made of Assessment 35. Mr. Brumback continued that this matter was settled by the town council at the last council meeting and a subsidy from both the linear foot frontage was reduced was \$94.91 to \$90.00. The result of that was about \$89,000. Subsidy required from the sewer fund.

There was a reduction in the minimum lot line frontage from 100 feet to 85 feet. That affected 12 property owners and resulted in \$17,080. Total across the board for all subsidies about \$106,000.

Ms. Portelinha reminded everyone the sewer fund does not pay for any of the infrastructure. The general fund does.

B. Public Works Committee

Meeting was cancelled this month. They extended leaf pick up which cost us a little bit and opened up the transfer station more which the residents want and appreciate. There is a little financial aspect we'll be happy to absorb given the circumstances, added the Chair.

C. Middle school Building Committee & Education Capital Building Committee

We moved that up in the agenda and was discussed earlier.

D. Open Space Committee

Mr. Pocock reported we authorized the forestry people to come in and size up what we can do for harvesting lumber. They've started that project. It's the State of Connecticut and is not costing the town. It's out of UCONN. They're starting up at Crescent Lake this week.

The Chair he had a request that folks want to make sure we have money aside for open space. Keep that in mind for next year's budget.

E. Self Insurance Committee

Mr. Labieniec stated the last meeting was on October 24th. At that point in time we had the results through September. The good news is we started off the year about \$100,000 above budget. September was a good month coming in at just over \$225,000 under budget, so for the year, we are \$128,000 under budget.

We are looking at the fact that we are a little over 6% above the actual for the first three months of the year compared to the first three months of this year. Which is a little bit concerning because we went in with a budget of +4%, but that was based off of the budget from last year and we found out at the end of last year we were approximately \$600,000 over budget which was about 3% over budget which means that our 4% really was eaten up about 75% of which we actually over.

We're watching when needing to make a decision for what we recommend in the following fiscal year. Good news is we are under budget so far year to date and not bad news but something that we're watching from a sense that the 4% above the budget from last year where the budget from last year was inaccurate and it came in over. It's something we need to be cognizant of as we look at what we're going to do for the next fiscal year.

Lastly, we have passed a policy on excess reserves. And, we had started in June 30, 2011 with a reserve balance of just over 3.6

million. Based on increase in the IB& R and also the nearly \$600,000 deficit in the 2011-12 year, that reserve has shrunk to just under 2.9 million --- which is still a good position we find ourselves in. As percentage of this year's budget, it is 14%. That money stays, per policy, within the control of the self insurance committee and there wouldn't be any excess available to the town council for one time capital projects. One thing we can do to use it is to offset costs in the upcoming fiscal year which we decided against last year. Too early to tell this year. It's worth noting.

F. Gura Building Plan Review

Mr. Brumback said they are expecting to have their preliminary report by the end of this month.

G. Other Committees

Nothing to report.

7. Board Communications

Ms. Feld brought up the fact we have trouble with the US postal service delivery. I would recommend we all get our information by email.

After a discussion, the administration will come back with a recommendation on package delivery.

VI. Public Communications (Excluding Public Hearing Items)

(Inaudible) Griffin and I live at 65 Knights Court and Rachel Brino, 63 Hilltop Drive.

Our question is: why would we be rated AA+ in a health rating if our middle schools have pcbs and there is sludge in the back of the sewage plant and they want us to go back to a colonial river?

The Chair responded the rating is based upon the health of our town. When the health of the town is assessed, it is assessed on a variety of factors:

(1) Is our town growing or shrinking in terms of the revenue base or Grand List.

(2) Do we have reserves in place.

(3) Are we maintaining our buildings or are we ignoring them?

Discussion of maintenance of the buildings which is a sign of health.

The library parking lot has been done which is a positive. Our North Center School has been reconverted to a municipal center which is almost like new and a positive.

Things are getting better here and the fact that there are problems are one thing but it is how we address them. Are we financially prepared and willing to address them? As long as those conditions are in place, we are actually healthy.

Discussion.

Arthur Cyr, 103 Berlin Avenue. Spoke about the middle school buildings committee meeting. It is a very disturbing situation. Our committee is very good about attaching stuff and you can check their Minutes and find these two sheets of paper from Newfield Construction. In the least worst scenario which is an environmental cost of only \$6 million, that still includes remediating and ripping out the gym floors to get to the adhesive underneath the gym floor --- which is ludicrous, especially at Kennedy.

Explained about the adhesive used at the bottom of the hardwood floors in the gym containing pcbs. The floor are encapsulated like the walls and I hope EPA DEEP let them stay.

I find these estimates to be ludicrous. A total variance of \$8,700,000. We're paying the architects and contractors by the square foot and maybe that is a standard operating procedure but I would've thought we would have said to Newfield and or Fletcher Thompson, we're going to pay you \$700,000 or \$900,000 but when we add the courtyards back in we're missing \$2.2 million? Ludicrous. They're not going to have to do anything to the courtyard. I find it obscene, upsetting and disgusting.

The other thing I don't like is #4 on this list. Design development schematic design estimate comparison. They're talking about site work corrections and variances, \$2.5 million because they're going to have to do more site work. That is obscene because the sites haven't changed from day one.

Discussion.

I find this \$8 million sheet to be very upsetting and obscene.

Nobody in this town had better ever --- ever --- give Fletcher Thompson a good recommendation.

I do have one thing to say about the fire department and overtime. I attended the board of fire commissioners meeting

yesterday. They reported overtime is going to continue because although the finance cut \$100,000 off the budget, it had no affect on the operations of the fire department because they're just pretending like you never cut \$100,000 out of the budget because he hasn't changed staffing levels or schedules. They'll be back for overtime money.

Here's a department with the third biggest budget in this town and you cut their budget and they made no changes. It's unfortunate we have no operational control over the fire department. The board of fire commissioners, I think, is acting totally incompetent in not telling their department manager to change his operations to comply with the budget.

In his budget for next year, the fire chief is putting the \$100,000 back because he said it. You cut it, but he'll spend it anyway. Obscene.

VII. Review Long Range Plan and Priorities

1. Review status of LRP items in current fiscal year budget

A. Status /Reprioritizations

B. Strategy Discussion

Mr. Brumback spoke about procurement contracting. We're in the process of consolidating all of our procurement particularly as it relates to technology. We have enjoyed a savings of approximately \$700/month on cell phone bills across the town.

We have just completed the contract to redo all of the printers, faxes, scanners and copiers across the town. We expect to have a savings of 40% or a current cost of \$5,000 a month to go down to about \$3,000 a month.

One other thing we are going to pursue, with the support of the BOE, we are looking at consolidating where appropriate the BOE and the Town bidding. One contract we just did was the electricity contract and that saved us 40%. We went from 9 cents to 6 cents, roughly.

We will continue to do that, continued Mr. Brumback and we will report those savings in the budget process.

Discussion about the WPCA utility issue. The energy committee is still reviewing that. We recognize the problem and we will have an answer for you.

The cleaning contract was discussed. It will be discussed in the future.

Ms. Feld asked about the grant writer that was approved at budget time. Mr. Brumback explained he has done nothing with it. I have \$15,000 worth of grant writing time and we've been able to get a lot of things for free and we piggy backed off of CCRPA. I have spent none of that money.

VIII. Conduct Administrative Business

1. Consent Agenda

A. Appropriation \$1,420 * Youth Services - Outside Programs (Spec Rev)

B. Appropriation \$1,175 * Drug Task Force - Community Mental Health Grant (Spec Rev)

C. Appropriation \$2,000 * Captial Budget -Memorial Donations

Ms. Feld made a motion to approve the Consent Agenda. Mr. Labieniec seconded. Motion passed unanimously on a voice vote.

2. Manager's Memos

1. Transfer \$3,000 Finance Department - Overtime

Mr. Stanforth made a motion to approve and Mr. Labieniec seconded.

Ms. Portelinha explained she needed it. She's very frugal with her budget but unfortunately we have had quite a bit of work that needs to get done and I can't do it all myself. I do have to pay the personnel overtime when they do it. Most of it is for the assistant and the accountant to help get the audit done. We had refunding and several special projects, electric procurement project. We had a position open for three months.

Mr. Brumback explained that despite being one person down and she's having to write the job description and work through the union to get it accurately classified, that's been the delay with getting the treasurer position onboard. It is not out there and she has 40 or 50 applications.

Some of the additional work that has come into her office, with no additional resources, has been things like the Apple Harvest Festival, the drive in theater operation and the accounting associated with the programs.

Discussion regarding rewriting the job descriptions.

Motion passed 5 to 0 on a roll call vote.

2. Transfer \$2,460 Public Library - Contractual Services

Mr. Stanforth made a motion to approve. Mr. Labieniec seconded.

Mr. Brumback explained this is due to a resignation of a library bookkeeper. It's the fee to hire a temp until the position can be filled within the next month.

Motion passed unanimously on a voice vote.

3. Appropriation \$13,250 * Calendar House - Part Time bus Drivers Salary (Spec Rev)

Appropriation \$8,250 * Calendar House - Overtime (Spec Rev)

Appropriation \$2,500 * Calendar House - Gasoline (Spec Rev)

Appropriation \$6,877 * Calendar House - Vehicle Maintenance (Spec Rev)

The Chair noted this is all with regard to the Dial-A-Ride bus program. Mr. Brumback explained this is nothing more than the distribution of the grant money from the state to pay for the program.

Mr. Stanforth made a motion to approve which Mr. Labieniec & Ms. Feld seconded. Motion passed 4 to 0 to 1 abstention by Mr. Pocock.

Meeting Adjournment - Ms. Feld made a motion to approve. Mr. Stanforth seconded. Motion passed unanimously on a voice vote.

(Whereupon, the meeting was adjourned at 8:52 o'clock, p.m.)