

**Town of Southington
Board of Finance
Thursday, March 27, 2014**

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

Appropriations from Contingency Account:

Approved to date.....	\$ 200,000
Approved this meeting.....	<u>233,723</u>
Total Appropriations.....	\$ 433,723

Appropriations with Revenue Offsets:

Approved to date.....	\$ 364,365
Approved this meeting.....	<u>165,950</u>
Total Appropriations.....	\$ 530,315

Chairman John Leary called the Regular Meeting of the Town of Southington Board of Finance to order at 7:02 p.m. in the Council Chambers of the Town Hall with the following members in attendance:

Joseph Labieniec, Edward Pocock, Jr., Kevin Beaudoin, James Coleman, Sr., & Sandra Feld

Also in attendance: Emilia Portelinha, Finance Director

Absent: Garry Brumback, Town Manager

A quorum was determined.

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 the Minutes of February 19, 2014 special meeting as presented

Ms. Feld made a motion to approve. Mr. Beaudoin seconded. Motion passed unanimously on a voice vote.

Adopt FY 2014-2015 Board of Finance Proposed Budget

The Chair explained this is a budget that the BOF will be proposing to the town council in an advisory capacity. The council will hear from the public, discuss it, deliberate on it and then send it back to us with any changes they feel they need to make.

There are five components: General government budget, board of education budget, animal control fund budget, sewer fund budget and the capital improvement plan.

A. General Government Budget: Mr. Labieniec made a motion to approve \$51,536,722 for the general government budget for fiscal year 2014-2015. Mr. Pocock seconded.

Mr. Beaudoin noted as part of this budget we are going to use unassigned surplus of a little over \$4 million for projects. My concern is the Municipal Center. When is that lease/buy due and what is our strategy. Ms. Portelinha explained we are leasing the building. We have a lease/purchase agreement and after eight years we will have the option to purchase. The town is waiting for the eight year period to pass. We are going to come forward with a referendum to purchase the building for approximately \$2.9 million at that point. Right now we are about two years into the eight years. That's why it doesn't show on the five year capital plan. Mr. Pocock advised we also have the option not to purchase it and we can continue to lease it.

Motion passed 6 to 0 on a roll call vote.

B. Board of Education Operating Budget: Mr. Labieniec made a motion to approve \$87,072,005 for the board of education operating budget for fiscal year 2014-2015. Mr. Pocock seconded.

Ms. Feld commented that she felt it was a disservice to the taxpayers which we are representing to approve the BOE requested increase of \$2.8 million. It doesn't include bonded items; capital projects such renovations to Hatton, Strong Thalberg, Plantsville, South End and the \$90 million for the middle schools or repairs to the existing schools from asbestos abatement to bleachers for the high school field to fixing the atrium at SHS to providing new safety measures in the schools. All these items are purposely excluded from the BOE operating budget but our taxpayers foot the bill since these and more are paid for with taxpayer money.

The BOE operating budget does include 15 new hires, a new program to ease the transition of eighth graders from Kennedy Middle School to the high school, \$15,000 extra as a technology

contingency above the technology budget, \$10,000 extra as an equipment contingency above the equipment budget and more.

Enrollment is down to below 2001 numbers but the budget is way up. Neither the BOF, the town council nor the taxpayer knows the amount the BOE actually expends from rental fees they collect since these amounts are not specifically accounted for in their budget. We have no way of knowing what additional revenue they actually have.

The BOE holds back 25% of their supply budget at the beginning of each year but uses it up every year and never returns the contingency to the taxpayers.

Taxpayers are entitled to transparency.

Too many years we have ignored needed town improvements in favor of school needs. We are facing another road referendum for \$11 million in November, as well as a multimillion dollar repair to our sewer plant which could exceed \$20 million. How can we justify this excessive BOE budget knowing these and other items which can't wait and are in our immediate future?

The bottom line is the town council has the final say on the budget and even if the BOF goes along with this plan which is to increase the BOE budget in total this year and by 2% next year or \$1.7 million, the town council could override the BOF's decision and increase that amount. I certainly hope this BOF sticks to the decision to make it a 2% increase for the BOE next year and more importantly that the town council supports it.

Mr. Coleman stated as a new member to this board, you have roughly 20% of the services which are negotiated. We need to get a handle on how we negotiate those services. There needs to be an effort made to drive that cost down. Education salaries are negotiated. We're going to be bumping up against our debt ceiling soon in town and I think the board needs to look at purchased services closer.

Mr. Labieniec asked: is a budget number right because it is cut or is a budget number right because it's right? I ask Ms. Feld for a counterproposal if this number isn't right which she said she hadn't thought about that. However, Mr. Labieniec, your premise requires trusting that we are getting the accurate figures and that is part of the problem. We do not get complete figures. The operating budget is expense, that's it.

Mr. Labieniec pointed out there has never been a year where the BOF has asked as many questions or received as much information as we have. I think we have to work twice as hard to pass a budget as presented as you would to pass a budget with a cut. The Charter doesn't call for us to cut anywhere; it calls for us to pass an appropriate budget. We asked what it would take. We had the most informative presentation season to us from all departments.

Explained with the town side, we now get much more information with the budget. This year took a major step forward in the process. Looking at the actual number, what we tried to do over the past couple of years is move to a point where we get away from the budget as presented is wrong

simply because there is always fat in the budget to do we understand the budget and is it the appropriate number for Southington. Not just for this year but when we look out with a two year view.

Discussion.

If the budget came in at 6.4% proposed and we cut it down to 3.4%, the prior feeling is we'd say we did a really good job. Why is 3.4 not the right number? There wasn't a single question asked that wasn't answered. There was no question we were told we couldn't ask. We looked at the information this year and for next year with the town as well. I personally am not against the number simply because it is the presented number.

Ms. Feld stated we have disagreed on this issue from day one and we don't need to debate it any more. She agreed more information has provided this year than in the past but it is still not complete in certain areas. As to the town budget, we have line item issues and we know that we have complete transparency because we have the entire budget in front of us. We don't have the entire information from the BOE in front of us when we debate this. Let's not bore everybody with debating this again and let's agree to disagree.

Mr. Labieniec said if this year this is approved as presented, it is an important step forward as it helps stop perpetuating the issue. Explained.

The Chair made a couple of points. He agreed with a lot of what was said. I agree with the point and the public needs to be aware of Ms. Feld's premise that the BOE operations budget covers the maintenance of the buildings, the custodial work inside the buildings and the operational programming of education. It does not include the building of the buildings, renovations of the buildings, major capital improvements to the buildings and all the debt and debt service that is paid for by the town regarding the buildings. Regardless of what bucket it maybe compartmentalized in, it all comes from one place. Our revenue sources are grants, town service fees, local property tax and so it ultimately comes from the taxpayers. The town has a huge commitment to education in both the buildings and the programming.

I reemphasize Mr. Labieniec's point that if we do not work hard to collaborate and to get a budget presented honestly, fairly and reasonably, and we take what is presented and cut it, we will force those closest to the operation to understand that behavior and react to it by padding or sandbag the budget. Explained.

This year we have tried to build up a trust, a transparency. We started the conversation early. We've got the budget into a reasonable range. A 3.4% increase to the BOE this year with the expectation of a 2% increase next year. That puts it in a realistic reasonable range that moves education forward in a proper manner.

Discussion.

Mr. Labieniec stated that he has learned a lot this budget cycle and asked more questions and I feel I understand the BOE budget better now because of that. I think the nice thing about this board is I do think we work together collaboratively very well even when we disagree.

Mr. Beaudoin said this year we looked at the town side and BOE said over like a two year period. That's smart. That's what the state does on their budget. If it is passed it would be a 3.4 this year and 2% range next year. In my mind I was comfortable with the two year average.

Motion passed 5 to 1 with Ms. Feld opposed.

C. Animal Control Fund Budget: Mr. Labieniec made a motion to approve \$227,099 for fiscal year 2014-2015 animal control budget. Mr. Beaudoin and Mr. Pocock seconded.

Motion passed 6 to 0 on a roll call vote.

D. Sewer Fund Budget: Ms. Feld made a motion to approve \$5,686,000 for the fiscal year 2014-2015 sewer fund budget. Mr. Pocock seconded.

Motion passed 6 to 0 on a roll call vote.

E. Capital Improvement Plan: The motion would be to go with the first year of the 5-year capital plan as defined as year 2014-15. Mr. Labieniec made a motion to approve the capital improvement plan for 2014-15 at \$21,965,284. Mr. Pocock seconded.

Ms. Feld asked to have the divided into the cash and bonding. The bonding \$14,071,700.. The cash is \$1,841,470 which includes the amount in the current budget plus the amount anticipated from harvesting for this year which is just a little shy of \$1.4 million. The use of fund balance is \$4,270,000. Discussion.

Ms. Portelinha explained we are looking for agreement on the CIP plan itself. You have already approved the actual cash funding as it was in the general fund. If you'd like to reduce the plan, you can do that. As for the bonding, all the bond ordinances will have to go through the process.

Mr. Labieniec noted for the record this is a major decision for our town. If we approve this, the amount from unassigned fund balance, was something I was very concerned with and most likely was not going to be in favor of. I think after discussions, I do think it is the right move for the town. Looking at our overall strength and where it would leave our fund balance funds and the intended use for the capital needs and how the fund balance grew, I think it is appropriate. It is certainly will result in a pretty large reduction in our unassigned fund balance. We have a 10% target for unassigned fund

balance. We will still be in excess of that. We'll be at 10.3 which is above the 10 and we're coming down from 13.4%. This isn't something we took lightly. It was a big area of focus for us.

Ms. Feld agreed with those comments and said it is a unique opportunity we have to take care of so many infrastructure issues that we have not been able to in the past. The public should be aware of it. It is something that benefits the taxpayer. When we pay cash we have no interest.

I've consulted with experts around us and other towns around us are doing this when they have the opportunity. It is definitely to be preferred. And, the rating agencies prefer it, as well. They look favorably on this. It will be a positive for us.

Mr. Beaudoin explained he agreed after speaking with auditors. He was advised it is better to spend the money to improve the infrastructure than to hoard the money and let your infrastructure deteriorate. I agree totally it is going in the right direction, he concluded.

Mr. Coleman agreed, too. With the amount of capital improvements we have coming, it make sense now to use the surplus, we may find we're in a position based on the amount of debt we take on over the coming years that we need to raise the debt limit to a higher 12% or 15% to correspond with more debt. What is right in one year may not be right in a subsequent year.

The Chair clarified what the Rainy Day Fund means. It is an amount of money we have that is not assigned to any particular purpose. It is in the general fund and unassigned. Our debt policy we raised from 9% to 10% is self imposed by us and approved by the town council that states that we will keep as a reserve as unassigned fund balance 10% of our revenues. As we move into this budget, we have to keep roughly \$13.9 million in the Rainy Day Fund.

As of June 30th, we had \$18.5 million or a rate of 13.4 of expenses. Policy is 10%. We could be overfunded and hang on to the money, we can take the surplus money out and reduce debt with it or we can apply it to current capital projects. In sending the budget forward, the town manager picked some projects he could accelerate because we had the extra money in the Rainy Day Fund above 10%. So we can move forward on basically infrastructure repair.

Mr. Beaudoin noted that the use of that surplus money does not affect the mill rate one way or the other. That's important to know.

Motion passed 6 to 0 on a roll call vote.

V. Assess current financial state of the town

1. Review revenue vs budget

Ms. Portelinha reviewed the February report. Prior year's tax collections are currently about \$310,000 above budget. Interest on taxes about \$50,000 above budget for this year. Building permit

& fees are about \$170,000 above budget. Interest on investments is about \$15,000 above budget. Town Clerk fees are about \$130,000 above budget. Those are the major items.

2. Review expenses vs budget

Ms. Portelinha noted expenses are on track. A few items we'll need transfers for and are holding off until April. One item is a transfer for the heart & hypertension is one I'll be coming forward with. We have stipulations agreed to.

People are retiring and the payout account has been sufficient to date to cover. We're notified of those last minute, unfortunately.

3. Sub Committee Reports (Emphasis on financial aspects)

A. Sewer Committee

The Chair reported this committee met and a few issues are working at the sewer committee. What we're facing is a very tired and failing infrastructure at the sewer plant. There is \$5 million in the budget to go to referendum this year to take a first step in repairing that. A study is underway to see what we should do to handle phosphorus, what we should do to the existing plant and that could be a major capital item depending on which route we want to go.

The other matter is the fact that we used to haul dry affluent out and now we are hauling liquid stuff out. We are going to be purchasing in this budget two tanker trucks to haul that so we don't have to rely on a vendor to do that. With an aging sewer plant, they are maintaining it the best they can. It's old. The costs of the plant are increasing. The revenues generated for the sewer plant are not enough to cover the operations and maintenance of the plant. A decision has been made to raise the rates.

Discussion.

Another issue causing concern is the way in which the sewer bills are apportioned to the users. Anyone connected to the sewer pays a fees. Those on a well, it's hard to measure water usage; they will pay a fixed fee. Those on town water will pay fee based upon the water bill. He explained the procedure that was used in the past for that fee.

A decision was made to levy the sewer bill across the annual water usage. A second meter provision was allowed for. We're looking at billing changes and we'll hear about that more as time goes on.

Ms. Feld referred to an article in the Record Journal recently that the cost of the meter is much higher than anticipated and I refer everyone to that.

Discussion.

B. Public Works Committee

Mr. Coleman reported it was a short meeting. Not much on the agenda. We did talk about a patch & pave program. They've been able to negotiate a new blend which should save us significantly. However, maintenance was significant. Potholes in different areas which will require police overtime. We talked about maintenance on the trucks, as well. And, we are all set with our salt and sand.

Ms. Feld added the parks department is looking into getting a mower. They rejected prices received as they were too high. They will keep on looking.

C. Education Capital Building Committee

Mr. Pocock reported they are moving right along. Right now we are within budget. It could change drastically when doing in-house renovation. There has been some drastic changes to the school and after April vacation they will be moving into the new office areas.

D. Open Space Committee

Mr. Pocock noted a walk coming up at Crescent Lake. We are looking to take some lumber out to use at the high school and some to be sold, if suitable. Refer to the website for more information on the walk.

We have a things on the burner. We have had a couple of small pieces donated to us. We are looking at other items down the road.

E. Self Insurance Committee

Mr. Labieniec reported we have the results thru February and we are still running favorably. Prior year to date for February we were at \$13.15 million. And we are at about \$13.48 million. Higher by about 5.2%. It is important that we budgeted this year about 9.6% higher. We are in good shape at nearly \$650,000 under budget.

I wanted to mention when we originally set the budget number for this year, we had decided on \$23.1 million. Anthem at the recommended \$22.6 million. One reason we budgeted higher is that our consultant was uncomfortable with the Anthem number and recommended the \$23.1. At our most recent, our consultant said based on the new analysis were now aligned with the Anthem number. The committee did not take any action at this time, however, we do have another meeting prior to when the council has to finalize their budget. There is a possibility that the self insurance committee may decide to lower the budget at which point the council would have option as to how to handle that within the budget for fiscal year 2014-15.

I think it is unlikely the committee will take that move. I wanted to mention it to you as it involves a significant amount of money and would impact the 2014-15 budget.

F. Gura Building Plan Review

Nothing to report.

G. Investment Committee

Mr. Coleman advised we did not get together as normally scheduled because of business. We do have the end of the quarter coming up and we will get together and coordinate on this. He did not receive any reports from the investment advisor indicating any trades.

Revenue was up \$15,000 more than budgeted.

H. Parks Board Liaison Committee

Mr. Beaudoin said as part of passing the general government budget, we had two major projects within. If the budget is passed as is, the two projects will go forward. One is park improvement at Memorial Park and the other one is funds for lights for a few of the youth programs. That is a loan to be reimbursed by those using the lights.

I. Health & Well Being Committee

Nothing to report.

J. Other Committees

Nothing to report.

4. Board Communications

Ms. Feld brought up the Gura building. She heard a rumor that the Gura building is being used the Arts Group. The Chair said they are using it for Kristen's Closet. Ms. Feld said that is a different group. Ms. Portelinha said as far as she knew the arts group was not in there but she would check and get back to you.

VI. Public Communications (Excluding Public Hearing Items)

Arthur Cyr, 103 Berlin Avenue. I find your budget comments interesting tonight. I do agree that the budgets have been managed differently in the last year or at least the government budget was managed differently. I don't see any difference in how the BOE budget was managed because at the end of the year they took the taxpayer dollars and spent them until there was none left. Discussed a commercial on TV with orange and green money.

Our town departments did a wonderful job with sending back almost \$3 million. And after harvesting we put \$2 million back in the savings account. You would think with a double budget amount

the BOE would have if not double our \$2 million surplus, they would at least have the same amount. They manage to shuffle it to where there is nothing to give back to the taxpayers. Imagine if at the end of the fiscal year the BOE gave \$3 million back to the town and then asked the town to do a \$3 million capital project for our school system. Instead, they spend it. We're trying to figure out how to bond money to do this or that project.

Discussion.

It is interesting some of you spoke about a 3.5% budget this year but only a 2% budget next year. It's going to be real shock to the taxpayers of this town there is some kind of an informal or verbal deal with the BOE that next year they're only going to get a 2% increase because remember turf? When they promised us 30 to 50 grand in savings? We don't even have a turf committee any more.

The taxpayers in this town don't want to hear it from the chair or a member of the BOF. We want to hear it from the chairman of the BOE that they gave us an unblemished budget this year and they understand that next year all they're getting is 2%. I don't trust them. They haven't said it at any of their meetings and it's all been back door meetings, agreements nobody has seen in print. We've never heard it from anybody at the BOE.

Discussion.

The turf was 32,000. Now we're expected to believe their budgets are sound even with the extra contingencies in it? On top of that we'll give them another 2 to 4% next year? The agreement should've been out loud and Mr. Goralski should've said thank you for your 3.5% beget this year and 2% next year. Over the next year I'll ask them for it with no problem. I'll ask them if they have this agreement or are they going to renege on it, again.

Trust is earned.

VII. Review Long Range Plan and Priorities

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

A. Status /Reprioritizations

B. Strategy Discussion

Passed this this evening as Mr. Brumback is not present.

VIII. Conduct Administrative Business.

Consent Agenda

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|----|---------------|-------|---|--|
| A. | Appropriation | \$500 | * | Youth Services – Kristen's Kloset (Spec Rev) |
| | Appropriation | \$50 | * | Youth Services – Outside Programs (Spec Rev) |
| | Appropriation | \$120 | * | Youth Services – Outside Programs (Spec Rev) |
| B. | Appropriation | \$210 | * | Community Services – STEPS (Spec Rev) |

- Appropriation \$2,500 * Community Services –STEPS (Spec Rev)
- C. Appropriation \$165,950 * BOE – Operations
- D. Appropriation \$1,134 * Youth Services Kristen’s Klostet (Spec Rev)

Mr. Beaudoin made a motion to accept the consent agenda in its entirety. Mr. Pocock seconded. Motion passed unanimously on a voice vote.

2. Managers memos

1. Transfer \$6,000 Library – Building Maintenance

Ms. Portelinha noted the library needs additional funding in the building maintenance account due to the winter we had. The high cost of maintaining the parking lot, sidewalks and roofs. They reduced office supplies expense for ink and toner as that is being paid by IT.

Ms. Feld noted that the \$6,000 should’ve been transferred to IT. It is really not extra money.

Mr. Labieniec made a motion to approve. Mr. Beaudoin seconded. Motion passed 5 to 1 with Ms. Feld opposed.

2. Transfers \$1,500 Animal Control Fund – Overtime

Ms. Portelinha noted the department is transitioning to a substitute employee and until that is all settled, they’re currently paying overtime to clean and feed the animals on the weekends. Ms. Feld asked why they had extra money in their office supplies and veterinary services account. Ms. Portelinha responded their vet invoices came in lower than normal. They’re looking at the accounts they have and trying to do with what they have. They indicate they’ll stay within their budget at the end of the fiscal year.

Mr. Labieniec made a motion to approve. Mr. Pocock seconded. Motion passed unanimously on a voice vote.

3. Transfer \$30,000 Central Dispatch – Overtime Pay

Mr. Labieniec made a motion to approve. Mr. Beaudoin seconded. Ms. Portelinha noted they’ve been short two dispatchers, one regular and one substitute. They’ve had a third employee out on extended leave. They have extra money in regular wages they’d like to transfer to overtime to cover.

Motion passed unanimously on a voice vote.

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| 4. | Transfer | \$4,278 | Police Dept – Temporary Seasonal Wages |
| | Transfer | \$90,000 | Police Dept – Overtime Pay |

Mr. Labieniec made a motion to approve. Mr. Pocock seconded. The transfer is needed to cover the cost of overtime pay for the fiscal year. Explained there is not enough in the line to cover the final 15 weeks of the fiscal year. We average \$10,000 per week.

Mr. Beaudoin commented about the budget number being lower than their average. Mr. Labieniec explained overtime was cut for police and fire as a symbolic gesture. The chair explained the BOF knew this would happen.

Mr. Pocock noted they made appointments quick where they could've held off. Things could've been handled in a little different manner. We've injuries. And, we've got snow with two officers to a vehicle and possibly on overtime. You can't talk about related injuries. It's all good stuff.

Motion passed unanimously on a voice vote.

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| 5. | Appropriation | \$20,000 | Town Manager – Legal Fees |
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Mr. Labieniec made a motion to approve. Mr. Beaudoin seconded. This is the only thing that would hit the contingency fund. We had four contracts that needed to be negotiated. There's a lot going on with negotiations for labor. The legal fee account has a balance of \$3,000. The total budget given is \$30,000. This makes it about \$50,000.

Motion passed unanimously on a voice vote.

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| 6. | Transfer | \$10,000 | Highway – Equipment Maintenance |
| | Transfer | \$1,000 (\$1500) | Highway – Building Maintenance |
| | Transfer | \$17,000 | Highway – Gasoline |
| | Transfer | \$200 | Highway – Office Supplies |
| | Transfer | \$16,000 | Snow/Ice Removal – Overtime Pay |
| | Transfer | \$2,000 | Parks – Equipment Maintenance |
| | Transfer | \$5,000 | Parks – Vehicle Maintenance |

Mr. Labieniec made a motion to approve with a caveat. It says \$1,000 on the agenda, but is it \$1500 as noted in the write up? Ms. Portelinha confirmed it is \$1500. Mr. Labieniec made a motion to approve noting it is \$1500 for building maintenance. Mr. Beaudoin seconded.

From the notations, most of this is pertaining to the winter season. Everything needs to be repaired and maintained.

Motion passed unanimously on a voice vote.

7. Transfers Revenue alignment with State Budget (bookkeeping entry)

Ms. Portelinha said for fiscal year 2013-14 is the town adopts our budget before the state adopts theirs. The state had various options for their budget and they settled on switching their grant categories at the last minute. This is realigning our budget to what we've received or will receive as grants. No effect on the budget.

Discussion.

Mr. Labieniec made a motion to approve. Mr. Pocock and Ms. Feld seconded.

Motion passed unanimously on a voice vote.

IX. Meeting Adjournment - Mr. Pocock made a motion to adjourn which was seconded by Mr. Beaudoin. Motion passed unanimously on a voice vote.

(Whereupon, the meeting was adjourned at 8:14 o'clock, p.m.)