

Town of Southington  
Board of Finance  
Wednesday, May 14, 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.....	\$ 462,969
Approved this meeting.....	<u>0</u>
Total Appropriations.....	\$ 462,969

Appropriations with Revenue Offsets:

Approved to date.....	\$ 531,461
Approved this meeting.....	<u>1,128</u>
Total Appropriations.....	\$ 532,589

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:

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

Also in attendance: Emilia Portelinha, Finance Director  
Garry Brumback, Town Manager

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

**JOHN LEARY, CHAIR, Presiding:**

**III. Public Hearing Items**

Ordinance appropriating \$935,000 for the costs related to the acquisition of a parcel of land known as 427 Pleasant Street in Southington, with all buildings and improvements thereon and all appurtenances thereto, and authorizing the issue of \$935,000 in bonds and notes to finance said appropriation.

Mr. Brumback explained this is the farm adjacent to DePaolo Middle School known as the horse farm. It was evaluated for purchase. We've been working on trying to purchase this for several years. It

was valued based on its ability be carved up into a subdivision for residential at approximately \$85,000 a unit and there was 11 units that could fit on it. Thus, \$935,000.

We are recommending we bond it and thus the public hearing. It is not only for support of the purchase itself but the means by which we would finance the property.

It will not be open space designated but the preservation of the property is a key reason for purchasing. We're going to retain the flexibility to expand maybe the middle school, keep part of it as a horse farm and various and different uses for the property. First and foremost to preserve.

The Chair added it being next the middle school, down the street from the high school and across the street from the Calendar House makes it a strategic location for the town.

(Those speaking in favor of the item)

Arthur Cyr, 103 Berlin Avenue. Thank you for the details at tonight's meeting. I am in favor of this. It is a strategic parcel for this town. It is unfortunate we were not able to secure this deal before we renovated the middle schools or we would have been able to do the same thing we did at JFK and possibly have the state pay for an expanded parking lot. I feel this is an absolutely perfect choice for the town. I'm glad to hear it is not designated for open space and it is not specifically designated for the BOE. Calendar House and our senior population are going to increase in the next ten to twenty years and I would hope a lot of consideration would be given to possibly making sure our seniors and our senior center has enough space and/or parking, if necessary, across the street. I approve this.

The Chair closed the public hearing at this time.

### **Set the Mill Rate for the F Y 2014-2015 Adopted Budget**

The current mill rate is 27.46 mills which is \$27 per thousand of value. We are recommending and the town council has approved a budget that increases that by .9 mills. Therefore we are recommending you set the new mill rate at 28.36 mills. That is the recommendation of staff and the town council.

Ms. Feld so moved the motion and Mr. Pocock seconded.

The Chair highlighted the numbers in the budget. He noted the town council accepted the budget as presented.

He said the \$9.3 million spending increase is intended to be funded from the following sources:

Increase in property tax of \$4.4 mill is representing a 3.3% tax increase or 0.9 mills. That is the motion before use.

The use of \$3.9 million of excess reserve in the rainy day fund. The total is 4.27 is the total and 3.87 is the increase over prior year.

Increase in state grant revenue of half a million dollars.

Anticipated increase in town fee revenue of \$400,000 and \$100,000 of miscellaneous revenue.

That is the additional \$9.3 million to cover the expenses.

The spending increase of \$9.3 million (as we have a balanced budget) are:

The capital budget \$4 million.

BOE operational expenses over last year of \$2.8 million or a 3.4% increase.

General government \$1.2 million.

New initiatives \$800,000 - \$600,000 within general government and \$200,000 within the sewer fund.

Notably items in the spending detail include: a new employee, human resource generalist valued at the expense of \$100,000 which is \$70,000 for salary and \$30,000 for benefits.

A new employee: civilian fire inspector \$25,000 net cost because it is offset against savings in another area.

Increase to the economic development department of \$82,000.

Parking lighting of \$300,000, which will be structured in the form of a loan to the leagues that operate the various sports programs in the parks.

Notable items in the capital budget:

Cash funded is \$4.3 million from the excess fund balance:

Old Mountain Road culvert at \$1 million.

Queen Street Pump Station at \$1 million.

Park improvements at Memorial Park (tennis courts, basketball courts, bath house, concession buildings and a pool filter) \$1 million.

Open Space reserve for purchases is \$600,000.

School access sidewalks is \$300,000.

Town Hall HVAC system at \$300,000.

Items cash funded: \$1.8 million include an upgrade to the MUNIS and the GIS systems of \$358,000.

A radio console at \$300,000.

Breathing apparatus for the fire department of \$259,000.

A truck bay wash at the highway department at \$225,000.

A dump truck at \$215,000.

An addition to Calendar House at \$200,000.

Multi service vehicle in the parks at \$160,000.

Dog Pound roof at \$125,000.

There are three items that will show up at election time in November as a referendum vote in the form of three questions for \$12.2 million.

- Roads and bridge at \$11 million
- Sewer Plant sludge thickening and odor control repairs and modifications at \$5.1 million.
- Welch Road Sewer and Pump Station at \$2.6 million.

Other items to be bonded:

- Purchase of a fire truck at \$575,000.
- High School atrium roof at \$397,000.
- Tanker trucks to haul sludge at the sewer treatment facility of \$370,000.
- Highway vehicle at \$119,000.
- Calendar House bus at \$53,000.
- Eight town vehicles at \$305,000.

We consider this a balanced budget for the fourth year in a row. Before that the unassigned fund balance was used to balance the budget when the fund balance was below the policy target minimum. The fund balance utilized this year is excess fund balance over the 10% minimum

required by town policy. We will maintain approximately \$14 million in the rainy day fund representing 10% of expenses.

Motion passed 6 to 0 on a roll call vote.

#### **IV. Old Business**

1. Approval of Minutes from the Special Meeting of April 23, 2014.

Ms. Feld so moved the motion to approve which Mr. Beaudoin seconded. Motion passed unanimously on a voice vote.

#### **V. Assess current financial state of the town**

##### **1. Review revenue vs budget**

Ms. Portelinha explained financial are about 10 months into the year. Prior year's tax collection to date are \$330,000 above budget. Interest on taxes is \$80,000 above budget. Building permit and fees are \$150,000 above budget. Interest in investments is \$35,000 above budget. Town Clerk fees are \$160,000 above budget.

Ms. DiNello indicated to me that we should be about \$50,000 to the good in VoAg tuitions this year. We had some special ed VoAg and we can charge more for that.

We received \$300,000 from the BRRFOC / TROC. They're in the process of disbanding. Since we're a member, they've been distributing funds to the various members. In total we've received almost \$402,000 this year.

##### **2. Review expenses vs budget**

Mr. Brumback brought up two items of significance. We had a significant failure at the fuel point behind the fire stations which is a town wide asset but the fire department has fixed it at a little less than \$6,000. You'll see the transfer to cover that.

Secondly, you'll see later on, the winter was very long and drawn out and required us to do an excessive amount of unanticipated maintenance on highway and parks vehicles. You will see transfers in parks and highway into their equipment maintenance accounts in order to recover from this very difficult winter.

Ms. Portelinha further pointed out, during this budget process; we had four unions that did not have a contract. Rather than put the salary increases into each individual department, what we did is we put into a salary increase line item. Since then two unions have

settled and the non-union personnel. What will be coming before you next month will be a bookkeeping entry of transferring money from the contingency account to the various regular wage line items to get us through the end of the year. By waiting, we were able to offset some of the costs so we didn't have to move all the money because in some departments an employee wasn't hired until a few months in allowing the use of that money to offset the salary increases. We'll be transferring less than we would have had we done it earlier in the year.

The Up and Go software purchase was discussed in response to a query by Mr. Labieniec. It is up but not live yet. There are issues on how they put the information up and we're ironing that out together so that occurs. It will be current for next fiscal year.

### **3. Sub Committee Reports (Emphasis on financial aspects)**

#### **A. Sewer Committee**

The Chair had nothing to report on a financial aspect other than what we've discussed previously.

#### **B. Public Works Committee**

Mr. Coleman said nothing was discussed this month that hasn't already been talked about before. The mower was delivered. Ms. Feld concurred.

#### **C. Middle School Building Committee**

Mr. Pocock reported they are moving along. We have a lot of little issues going on and we are resolving them. The main thing is at this point we are still running on budget. The lengthy school year has caused some slowdowns. We lost 11 days for demo. We're working at night to get caught up. Other than that it's going along fine.

#### **D. Open Space Committee**

Mr. Pocock advised there will be harvesting done up at Crescent Lake. Close to a wash situation as we will be able to sell the timber and we'll also be treating up there so we can get this undergrowth that's causing issues. We're working on that. It is a highly used area. People love it. It's good.

#### **E. Self Insurance Committee**

Mr. Labieniec reported on results through March. We had a tough March, a little over \$180,000 above budget, but still in good shape for the year. We are about \$460,000 below budget year to date which puts us around 3% under and we are a little over \$1.3 above last year, year to date, which is about 9.4% over prior. The budget was for 9.6%.

We'll see how the last three months go. Overall we are in pretty good shape.

**F. Gura Building Committee**

Nothing to report this month.

**G. Investment Committee**

Mr. Coleman stated after the work done at quarter end that was presented at the last meeting there really is nothing new to report. In between quarter ends, unless there is some significant change, there probably wouldn't be anything new to report.

**H. Parks Board Liaison Report**

Mr. Beaudoin brought up the two major projects that were in the budget that will affect the parks which will be nice for the town. The parks board will be actively participating on both projects.

**I. Health & Well Being Committee**

Nothing to report.

**J. Other Committees**

Nothing to report.

**4. Board Communications**

Nothing to report.

**VI. Public Communications (Excluding Public Hearing Items)**

Arthur Cyr, 103 Berlin Avenue. I'd like to thank this entire finance board for your work on next year's budget. It's a leap of faith and it worked last year. I hope what you tried to do this year will work through next year. It was somewhat distressing to see members of the council try to chop over \$1 million off the town budget and nothing off the BOE budget. And, then speak about your 2% cap for next year. Highly inappropriate. I know all six of you will be here next year and have pledged to hold them to that 2%.

I have a financial question to Mr. Pocock and the middle school building committee. There has been an \$80,000 bill submitted by the BOE to the committee for DePaul for excess heating bills from this winter. I believe it was contested. We would like to know publicly if

it was contested and are we just going to roll over and pay it or whether we'll reject it. Overall we may be within budget but \$80,000 is not chump change. Somebody needs to put it to rest.

Mr. Pocock responded it is not quite that high. He said he was working on that with Fred Cox and Sherri DiNello at the BOE. I'm hoping we come to terms by our meeting on Tuesday. We have a plan to present to them. This is not an "I" thing, it's a "we" thing.

Mark Murty, 491 Prospect Street. I am here for the civics class. I have a question about the middle schools. I've seen a lot of great progress at DePaolo. I also see workers out there some friends have been commenting on the continuous changes. You say you're on budget and roughly on time. How close are we to the exact schedule and have there been any changes to the renovations in the past year or so --- how close are we from the original plans and how much longer will this take.

Mr. Pocock responded at the present time we are right on schedule. In fact, at both schools, we are a little bit ahead of schedule. Rain has held up the outside a little bit. Inside, there have been a few design changes. Tweaks we have to do here and there to make it work. We had to add some curtains. Maybe changed a couple of rooms around. It's better than five years ago that these ed specs were put together. Technology is changing so quick, we have to try to stay with it to give the community the best and stay within budget. Right now we are within budget.

Mr. Murty asked the cost of the projects. Mr. Pocock responded roughly \$92 million. We're hoping to come in under that, but it could be tough when doing in-house renovations.

Discussion.

A staircase was added at JFK to be able to get the students out of the school if need be. Egress has to be short run.

Discussion.

Mr. Murty thanked the BOF.

Tom Murty, 490 Prospect Street. Asked about funding for the art community of Southington. Mr. Brumback said there is an art program going on which is self funded by private individuals to restore the building next to us into a community arts center.

Thank you.

Mr. Labieniec stated he wanted to make a comment. I know there was press coverage with respect to the BOE budget, specifically how this board handled the process this year and looking forward to next year. There have been some accusations or whisperings that there

were back door deals or secret handshake type things. Nothing could be further from the truth.

This board communicates quite regularly privately and a lot of that happens in preparation for our workshops and all of that comes out in the public workshops. All of us have separate or private conversations whether that be with town officials or with BOE or school administrations officials, as well. But the process we went through this year when we talk about the 2% number for next year was we said as a board that we are going to handle the budgets differently and we're going to look at a multiyear forecast, specifically a 2-year forecast.

One big reason we did that was because there are a number of business people on this board and it's more of a business minded board and any company worth its salt, never report for one year. They always do a multiyear forecast. It is a more prudent way to budget.

We are here for two years, so why look at this as year one completely separate from year two. What happens in a year's budget will impact the following year, as well.

Publicly what we did with the BOE present at the workshop was we spoke about funding this fiscal year budget as requested. The expectation for next year being a 2% budget. Now clearly, the BOE budget can come in next year at 0% or 20%. That'll be up to them and this board can do what we feel is appropriate with what they present. The town council has the ultimate say.

I feel it is important to say that this was in no way a behind closed doors type of deal, a secret handshake type of a deal. This was done at our very public workshop and it was done because we changed the way that we are going to do budget from simply the current year in front of us to a two-year view. There is talk of maybe even looking out further than that.

There is no reason that this board should not look at the fiscal year budget we are looking to approve in the future and also look at the year after that. A prudent way to manage finances.

I feel that was needed because of press coverage and talk going on in town.

## **VII. Review Long Range Plan and Priorities**

- 1. Review status of LRP items in current fiscal year budget**
  - A. Status /Reprioritizations**
  - B. Strategy Discussion - Fraud Risk**

The auditors recommended at year end that we conduct a fraud risk assessment and have a process in place within the town to do fraud risk assessment as part of an internal controls environment. We're responsible for the audit and for the financial governance of the town.

Mr. Brumback said it is important to note that when Blum Shapiro made the comment in our audit, it is a canned comment that they put on every municipal audit they conducted over the course of the year. Nothing precipitated that particularly unique to Southington.

We embrace the fact we should always be looking at our organization from the perspective of potential concern which fraud risk is certainly one of them.

We have engaged Blum Shapiro in that conversation. We sent a kind of a brief description. In collaboration with the auditors, Blum Shapiro does have a certified fraud examining team and the management of the town government along with the team will talk about an overarching view of what the organization looks like, how resources flow through the organization and proactively identify fraud risk within the town and pinpoint opportunities to attack and reduce potential cost of fraud, review fraud risk tolerance and management policies, determine if fraud prevention exists within the town and identify the areas most vulnerable.

After the overview is conducted and we identify particular departments that have large volumes of cash that flow through them or are particularly vulnerable because of the nature of the business, we will drill down and discuss specific departments based on that.

The overall cost of the audit is between \$10,000 and \$15,000 depending on how deep they've got to go. The following one with the departments will be determined at that point.

Ms. Feld felt other companies should have been contacted as well.

Mr. Brumback pointed out they are our current auditors, familiar with our organization and seemed to be the best qualified to do the job.

Ms. Feld didn't like the range of \$10,000 to \$15,000 for Phase I. No pricing for Phase II which we don't even know what that would encompass. She would prefer to see a flat fee for the entire thing. This proposal is rather loose. Why haven't we questioned if other companies do this as well.

Extensive discussion followed regarding the choice of Blum Shapiro and why no other company was contacted.

Mr. Coleman noted that this cost is based on an hourly rate for the scope. Mr. Beaudoin concurred. This makes sense and is fairly normal.

Discussion.

Ms. Feld wanted to have something to compare it with.

Mr. Labieniec, after comments, stated if we feel Blum Shapiro is the best firm to do this, I say we go with them and the cost seems to be acceptable.

Mr. Brumback stated the recommendation was made for this firm because we believe that.

Ms. Feld restated we have done that without anything to compare it to.

Discussion.

Mr. Brumback stated we did not request anything from another audit firm.

The scope of fraud was questioned. Mr. Brumback responded it is internal fraud and really the vulnerability than anything else.

Discussion.

## **VIII. Conduct Administrative Business**

### **1. Consent Agenda**

A. Appropriation \$100,000 \* Barnes Restoration Fund -  
Barnes Museum Restoration/Improvements

Ms. Feld made a motion to accept. Mr. Coleman seconded. Motion passed unanimously on a voice vote.

B. Appropriation \$1,275 \* Youth Services - Kristen's  
Kloset (Spec Rev)

C. Appropriation \$1,128 \* Police Department -  
Clothing Allowance

Mr. Labieniec made a motion to approve Items B & C. Ms. Feld and Mr. Pocock seconded. Motion passed unanimously on a voice vote.

### **2. Manager's Memos**

1. Bond Ordinance                   \$935,000                   See Public Hearing item  
This is the resolution allowing us to go forward.

Ms. Feld made a motion to accept and Mr. Coleman seconded.

Mr. Labieniec brought up the debt limit. I would be interested in doing more research on whether that 8% is the correct number. Can we look to make that our long range discussion in a coming month and can we get from CCM information as to where we are and where we fit in our group and whether or not there would be a recommendation to move that from the 8%.

Mr. Coleman added if the debt ceiling rises, we need to look at whether or not that Rainy Day fund should be increased proportionately.

Ms. Feld wanted information from the rating companies, as well.

Motion passed 6 to 0 on a roll call vote.

2. Transfer                           \$200                           Animal Control Fund -  
Animal Control - Overtime

This is because we've had a substitute employee because the primary has been out on WC. And, the 53<sup>rd</sup> week is self-explanatory.

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

3. Transfer                           \$20,000                       Police Department Overtime

They have a current balance of \$62,000. They've used \$442,764 for the first 44 budget weeks which is about \$10,000/week. They believe they're about \$20,000 short. Their regular time wages are available is because they have people out due to early requirements and WC. And that is also a reason why their overtime is higher than predicted.

They have managed this line item very hard and this is the lowest overtime budget for them in several fiscal years.

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

4. Transfers	\$5,150	Library - Temporary /
Seasonal Wages		
Transfers	\$1,314	Library - Regular Wages

Ms. Smayda explained this is all due to unexpected sick leaves. A particularly difficult year. We've done a good job of keeping our substitutes and increased part time hours down, but that is a huge unanticipated absence. That's all public service.

Two days after handing this in, I got a phone call that another staff members was having emergency surgery. Another full time public service person will be out 6 to 8 weeks. I may have to come back next month.

The funds are available as we switched internet connection from Cox to a lower cost provider. We have accumulated savings in office supplies from switching suppliers. The new equipment purchased came in below the original estimate so there's money there.

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

5. Transfers	\$20,000	Highway - Equipment
Maintenance		
Transfer	\$8,000	Highway - Utilities
Transfer	\$2,000	Parks - Equipment
Maintenance		

These are based on a lot of maintenance needed to recover from the winter storm events.  
Discussion.

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

Mr. Pocock said he has nothing but praise for the employees down there. If you see what this does to the vehicles, the maintenance people are working diligently to keep the rigs on the roads.

Ms. Feld agreed we have a great highway department.

Mr. Brumback added the unsung heroes have been the maintainers. The operators have been fabulous. The mechanics don't see the light of day for months on end just keeping these things on the road. A brilliant job!

Mr. Pocock further stated it is not an easy job when you're out there on the road. They have to have the equipment working to do the job.

Mr. Brumback will pass on the appreciation.

Motion passed unanimously on a voice vote.

6. Transfer \$5,850 Central Dispatch - Overtime

Mr. Beaudoin made a motion to approve. Mr. Pocock seconded.

This is to fill in for being short two dispatchers.

Motion passed unanimously on a voice vote.

7. Transfer \$3,000 Police Department - Schools & Education

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

8. Transfer \$408 Animal Control fund- Animal Control - Building Maintenance

Transfer \$1437 Animal Control Fund- Animal Control - Gasoline

Mr. Beaudoin made a motion to approve. Mr. Pocock and Mr. Coleman seconded. Motion passed unanimously on a voice vote.

9. Transfer \$3500 Town Manager - Legal Fees

This is to cover union negotiations.

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

10. Transfer \$5,500 Fire Department - Gas Pump & Repair

Mr. Pocock made a motion to approve. Mr. Beaudoin seconded.

Mr. Pocock said the pump has been there umpteen years. We have to look at doing a full replacement. Everyone agreed.

Motion passed unanimously on a voice vote.

11. Transfer	\$157,951	Capital Budget - Financial
Management System		

Transfer	\$200,000	Capital Budget - GIS
----------	-----------	----------------------

This is as a result of harvesting.

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

Ms. Portelinha asked for leeway with the accounts because there are a few of them so when we go to post the transfers I'd like to have the ability to tweak the accounts a little bit. I don't anticipate it but between now and posting I'd like leeway.

Mr. Beaudoin said that was fair.

Motion passed unanimously on a voice vote.

The Chair asked the two students from the civic class if they had any questions to help with their report. We appreciate you being here.

Mark Murty asked the question as to why eight were at the dais and only six were elected. Town staff makes up the other two.

**Meeting Adjournment** - Ms. Feld made a motion to adjourn and Mr. Pocock seconded. Motion passed unanimously on a voice vote.

(Whereupon, the meeting was adjourned at 8:17 o'clock, p.m.)