

April 11, 2018

BOARD OF FINANCE
TOWN OF SOUTHLINGTON
APRIL 11, 2018

The Board of Finance of the Town of Southington held a Meeting on Wednesday, April 11, 2018 at the Town Hall Council Chambers, 75 Main Street, Southington, CT. Vice Chair, Joseph Labieniec, Acting Chair, called the meeting to order at 7:00 o'clock, p.m.

Appropriations from Contingency Account:
Approved to date (General Contingency).....\$ 448,931
Approved to date (Fire Overtime).....499,950
Approved to date (\$3m Contingency).....1,700,000

Approved this meeting (General Contingency).....0
Approved this meeting (Fire Overtime).....0
Approved this meeting (\$3 M Contingency).....0
Total Appropriations.....\$2,648,881

Appropriations with Revenue Offsets:
Approved to date.....\$3,193,994
Approved this meeting.....0
Total Appropriations.....\$3,193,994

The following board members were present:

Joseph Labieniec, Edward Pocock, Jr., Kevin Beaudoin, Tony Morrison & Susan Zoni

Staff: Mark Sciota, Interim Town Manager
Emilia Portelinha, Director of Finance

Absent: John Leary, Chair

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

III. Public Hearing Items

1. Ordinance Appropriating \$2,000,000 for acquisition of land for open space purposes and authorizing the issue of bonds and notes in the same amount to finance said appropriation.

Town Manager Mark Sciota advised this was sent to the BOF by the Town Council. They're asking for your input tonight. This for \$2 million to be used for acquisition of open space land. This went to

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the planning & zoning commission with a report back of a favorable 8-24 to the council.

Anyone from the public wishing to speak:

(No response.)

The public hearing item was closed.

2. Ordinance Appropriating \$2,600,000 for costs related to replacement of portions of the Southington High School roof and authorizing the issue of \$2,600,000 bonds and notes to finance said appropriation.

This is for the replacement of a portion of the Southington High School roof. The Town Manager continued he would like to commend the BOE, specifically, Peter Romano, who has been working very close with us on the roofs at the schools. This absolutely has to be done. It has been sent to you by the planning & zoning commission with an 8-24 referral to the town council. They're looking for your input.

Anyone from the public wishing to speak:

(No response.)

The public hearing item was closed.

IV. Old Business

1. Approval of Minutes of March 27, 2018 meeting

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

V. Assess current financial state of the town

1. Review revenues vs budget

Ms. Portelinha reviewed. We are now three quarters through the year and our revenues are faring fairly well. Our prior years' taxes are currently \$80,000 over budget. Our interest on taxes are \$60,000 above budget. Building permit and fees are \$60,000 above budget. Our interest on investments, \$350,000 above budget. Town Clerk fees are

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\$150,000 above budget. Then we have the CIRMA equity. All this has stayed the same at \$70,000. Elderly circuit breaker, we're losing for minus \$360,000. Distressed municipalities we are losing \$48,000. Renters rebate for \$110,000 we're losing. Municipal stabilization grant, which we already received, is \$233,000. And, then we have a couple of smaller item, the PILOT state properties is a negative almost \$17,000. Sales tax sharing, we are going to be receiving less \$460,000. The PILOT Telecommunications we received that and it is about \$22,000 short.

2. Review expenses vs budget

Looking at the expenditures to date, we had basically three items we were looking closely at. One was the snow & ice. I believe we are done with snow & ice but there may still be some bills coming in that haven't come in. For accumulated payout, you'll see I'm requesting \$20,000. We have a few more retirements. I am transferring from other accounts. Then we have an item for the fire department overtime which they are also requesting a transfer tonight. Other than that, everything looks like it is coming in pretty well.

3. Review Capital Projects in Budget (Quarterly)

Ms. Portelinha asked for a delay to next month. She hasn't had a chance to complete her report. And, it would be best to have the Chair here, as well, added Mr. Labieniec.

4. Subcommittee and Liaison Reports (Emphasis on financial aspects)

A. Sewer Committee (Tony Morrison)

Nothing to report. The monthly meeting is tomorrow.

B. Public Works Committee (Ed Pocock & Susan Zoni)

Mrs. Zoni advised there is an RFP quote out for plantings for the greens and they're working on numbers for electricity for the green. Other than that, it was pretty quiet.

Mr. Pocock had nothing further to add.

C. Calendar House Building Committee (Mark Sciota)

Passed.

D. Open Space Committee (Ed Pocock)

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Mr. Pocock had nothing to report other than we have Earth Day coming up on Sunday, April 29th from 1:00 to 3:00. At Novick's Orchard they'll be clearing a pass up there.

And, we have the referendum item.

E. Self Insurance Committee (Joe Labieniec & Kevin Beaudoin)

Mr. Labieniec had no updated from the last Board of Finance meeting report. Numbers are still the same. However, I will note for this board, there was discussion about the upcoming fiscal year budget. No action was taken at the meeting. It is a possibility that the self-insurance committee would decide to take action potentially during their next meeting in terms of the upcoming fiscal year budget. Obviously, it would have an impact on the upcoming fiscal year and what is in the budget for both the town and the BOE side. We will keep this board apprized. I wanted to mention that as a possibility.

F. Committee of the Chairs (John Leary)

Chairman Leary is absent tonight.

5. Board of Finance Sub Committees and Liaison Reports
(Emphasis on financial aspects)

A. Investment Committee (Kevin Beaudoin)

Mr. Beaudoin reported as of March 31st. We had \$75 million in cash and investments. Of the \$75 million, \$14 million is in investments which that is approximately 19% of the total portfolio. Of the \$14 million, \$9 million was in long term investments (1 to 5 years) and \$4 million is in short term (Under 1 year). And, of that \$14 million, we have 61 securities, basically all CDs with an average maturity of 2.3 years. And, an average interest rate of 1.84%. The average security investment is approximately \$250,000 per security.

B. Liaisons to Board of Fire Commissioners (Ed Pocock & Kevin Beaudoin)

Mr. Pocock advised they missed the last meeting because we were working on the budget and the meeting happened to fall on the same night they had a meeting. The commissioners are here tonight to give an update.

C. Other Committees

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Nothing to report.

6. Board Communications

The Town Manager advised the Finance Director will report on a bond and note sale we had today. Ms. Portelinha reported we sold \$16 million in notes for the middle schools and the WPCA facility. We received net interest costs of 1.824% for the one-year term. We received six bids on that. That was very good for notes.

We sold \$8.8 million in bonds for the Calendar House, some road projects and other items. We got 2.95% on that for the 20-year bonds. We received seven bids which was very good.

It is higher than our last offering. Last time we sold bonds was in 2016 and it was about 2.5% or 2.6% -- in that range.

The notes were much lower. I think 1.07%.

The Town Manger publicly that Mr. Perillo and Ms. Portelinha were part of the presentation to S & P. I couldn't be prouder of both of them. They put on a great presentation and thanks to them we received a stable report which is fantastic. I know you received the report and if you read it, it is certainly high marks for the Town of Southington and I couldn't be prouder of the finance director and the economic development coordinator. Our rate stayed the same at AA+.

Mr. Pocock thanked everybody. It is important we kept that rating. A lot of team work involved.

Mr. Pocock asked if we were going to get any more from the state for the roads improvement. Mr. Sciota said the money released so far has already been budgeted. TAR money is off budget and we don't get it unless we spend it. I do not have any great hopes we'll receive it by June but they're still working in Hartford. If we get it, we get it and if not, we have money to offset.

Mr. Morrison echoed Mr. Pocock's comments on the S & P Report. It does mention specifically strong management. Also, congratulations to come of my colleagues, especially those who have been on the BOF for longer than this year. It also talks about the budget, the financial control and the proposed budget this year and it says because of that we believe the town will successfully navigate current challenges (by that they mean the state, obviously). And, will continue to produce strong budgetary performance. Congratulations!

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VI. Public Communications (Excluding Public Hearing Items)

No one to speak this evening.

VII. Review Long Range Plan and Priorities

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

Nothing this evening.

2. Strategy Discussion- Status of the State Budget and Possible Additional Revenue Cuts

Nothing this evening.

VIII. Conduct Administrative Business

1. Consent Agenda

A.	Appropriation	\$100 *	Youth Svcs - Steps Donation
(Spec Rev)			
	Appropriation	\$780 *	Youth Svcs - Outside Programs
(Spec Rev)			
	Appropriation	\$1,070 *	Youth Svcs - Kristen's Closet
(Spec Rev)			

B.	Appropriation	\$7,055 *	Youth Svcs - Enhancement Grant
(Spec Rev)			

Mr. Beaudoin made a motion to approve the consent agenda as is as one group. Mr. Pocock seconded. Motion passed unanimously on a voice vote.

2. Manager's Memos

1. Bond Ordinance \$2,000,000 Public Hearing Item #1

Mrs. Zoni made a motion to accept the bond ordinance for \$2,000,000 for acquisition of land for open space. Mr. Pocock seconded.

Mrs. Zoni stated she was a very strong proponent of open space. And, I know it's a tight budget time. We are not spending the money

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but we have to have the money aside and available if properties become available that we can take for the town.

Mr. Morrison said he was also a proponent of open space but he was not convinced that this is the time to do it in the sense that we do need it but the two next two years, do we want to carry a load of \$150 grand a year while we're faced with an uncertain future.

I asked if we could use the town's Rainy-Day Fund because it as a capital asset, this one time. And, we can if it is under \$1 million. And, I'd rather have that in our back pocket for the next two years than have a bond. I understand what Sue said that we don't bond until we spend the money. I would prefer we moved it off for two years. I think we share the same reasons for being a proponent of open space.

Mrs. Zoni responded that her reasons for disagree with that are that if you try to go into the other funds, it takes a lot more work to get through the paperwork and the committees of the town quickly to access that fund. When land becomes available, if we don't move, somebody else will move. We need to be able to move quickly and responsibly.

Mr. Beaudoin pointed out both bond ordinances will go to referendum in November, assuming it passes. The town will have an opportunity to vote on this.

Mr. Morrison said we'll be asking folks to vote on essentially \$4.6 million. What I'm concerned about is they'll vote on one and not vote on the other. The school roof is obviously infrastructure and we have to do it. I'm worried they'll throw both out. One is a choice and I'm not sure we do have a choice with the school roof. Do we run that risk?

Mrs. Zoni said historically this town votes things separately.
Discussion.

Motion passed 4 to 1 with Mr. Morrison opposed.

2. Bond Ordinance \$2,600,000 Public Hearing Item #2

Mr. Beaudoin made a motion to approve the \$2.6 million for the costs related to the replacement of the portion of the Southington High School roof. Mr. Pocock seconded.

The town manager advised we anticipate approximately a 53% reimbursement rate for the roof. Nothing is guaranteed and that can

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change and we'll get some sort of reimbursement. But currently it is 53%.

Motion passed 5 to 0 on a roll call vote.

3. Transfers \$65,700 Fire Dept - Overtime

John Moise presented on behalf of the Fire Commissioners. He noted Chairman Bunko was also present. And, Russ Wisner, fire chief and battalion chief Eric Heath were in attendance.

For this period, we were able to transfer to get us through May. In January we promised we would do everything that we could to not go into the appropriation column. So far so good. From December to April, we've averaged every pay period \$26,000 compared to the \$35,000 to \$40,000 it was prior to that.

The transfer tonight should get us through the May period which would leave us with four weeks in June that would end the fiscal year. We'll be back on more time. We'll see what we can do for transfers in that final month. Just a heads up, this is where we may need an appropriation --- at the end.

Discussion.

Mr. Pocock noted they are working to make this and there is a lot of teamwork involved from the top down. We appreciate the big difference in doing a transfer and trying to make it work without an appropriation.

Mrs. Zoni noted the account numbers are wrong on the letter the BOF received. They all should start with a 1-0-0 instead of a 1-0-1. Just a typo. However, the overall number is correct.

Mrs. Zoni also noted this does put some of the accounts to zero as you go.

Mr. Beaudoin made a motion to approve the transfers of \$62,700 to fire department overtime. Mrs. Zoni seconded.

Mr. Morrison echoed Mr. Pocock's comments on the progress that has been made. It's great to see. This looks like it is through May and then we have \$50,000 potentially. And, that could potentially come from further transfers. Mr. Moise said at this point it would be a question of looking at some things that could wait a few more weeks to get to July, if need be.

The town manager commented he has been working closely with the fire commission and the goal was to get them to the end of May. I

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thank them for doing that. I was concerned that our contingency fund that now stands at about \$350,000 to \$360,000 would take a big hit. In December I gave you my nervousness of that. But now looking at approximately \$50,000, if the contingency can be used for that, I'm more comfortable today than I was back in December.

Motion passed unanimously on a voice vote.

4. Transfer \$8,450 Fire Dept - Contacted Svcs

Mr. Beaudoin made a motion to approve \$8,450 in transfer to fire department's contracted services. Mr. Pocock seconded.

Motion passed unanimously on a voice vote.

5. Transfer \$20,000 Misc - Accumulated Payout

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

Ms. Portelinha advised we have three additional employees who are retiring. And, we'll require \$20,000 in order to pay them out before the end of the fiscal year and we're transferring out of the liability, auto and property insurance account.

In response to a query by Mr. Morrison, Ms. Portelinha advised we only have a dozen and a half employees who still get paid out under the old contract where they get higher payouts than normal.

Motion passed unanimously on a voice vote.

6. Transfer \$2,250 Parks - Grounds Maintenance

Ms. Zoni made a motion to transfer \$2,250 to Parks for grounds maintenance. Mr. Pocock seconded.

Motion passed unanimously on a voice vote.

7. Transfer \$25,000 Town Hall Building
Maintenance

Mr. Sciota explained the plan has been for many, many years to put a generator here at the Town Hall. With the Calendar House project, the former Calendar House generator, we checked with the engineering department and the public works director and it would fit our needs for this building. We are going to move the generator to

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the highway garage and for this amount of money and using a lot of our staff to do the excavation, we'll put a pad in and we'll tie it into gas and tie it into the Town Hall. The Town Hall's system for the internet is here. When the power goes out, we lose the town's internet which is the communication to the residents.

A lot of people are to be thanked for this idea and it actually goes back to when Mr. Pocock and I were on the Middle Schools Building Committee together. We thought we could try and do this. It started six years ago and I'm glad it is coming to fruition.

Mrs. Zoni made a motion to transfer \$25,000 to the Town Hall for the building maintenance. Mr. Morrison seconded.

Motion passed unanimously on a voice vote.

IX. New Business

(The Minutes are prepared summary style. Please refer to the video on line for the full 35-minute presentation.)

1. Discussion of Deficit Mitigation Plan

Mr. Sciota advised back in February you received the town's deficit mitigation plan which was requested for \$525,000. Off line, I've answered all your questions.

Shortly thereafter, the Superintendent submitted the BOE's deficit mitigation plan. The key element of that is something that's also on your agenda tonight which we're hoping for some sort of action on and that is the self-insurance payment forgiveness for this fiscal year we're on, both the Town and the BOE, toward the self-insurance fund.

I'll turn it over to you, as to what was discussed at the last self-insurance committee meeting.

Mr. Goralski, at the podium, advised he was here tonight to answer questions. It is school vacation week. Mr. Romano intended to come regarding the high school roof and I told him I would be present. I texted him and he thanks you for your support of that.

I'm here if there is any discussion on the deficit mitigation plan. I believe it has been well thought out and talked about and discussed, especially at the self-insurance committee.

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I'm here for questions if you have any as the discussion moves on.

My colleagues and I made pretty much unanimous decision that we had no intention of laying off this year. In private discussions with each of you and the discussion at this meeting I know you support the idea of not bringing us into a situation of laying off staff members during the school year. We have a lot of complicated things to deal with in the next school year. I'm hopeful that the mitigation plan, after your action, will be something that we can all look forward to using to move us through this year.

Mr. Labieniec set the stage for the deficit mitigation plan. The specific request in the plan right now, the \$755,000 health insurance premium reduction was based on a \$1 million overall reduction and that's the portion attributable to the BOE. The town manager confirmed that \$755,000 is the gross amount and the net amount would be the \$755,000 minus the \$117,800. The town plan does not have that portion of it built in stated Mr. Sciota.

2. Discussion and Action on Self-Insurance Contribution Reduction

Mr. Labieniec introduced this item as it came up at the last self-insurance committee meeting. There has been a lot of discussion regarding any kind of a premium holiday to the current fiscal year of the self-insurance committee budget. At their meeting, there was a discussion that it's important to react to policies that are in place or to enact policies that would put the self-insurance committee in the best financial condition. That's the feeling at self-insurance. The question then becomes who would make a recommendation if there is going to be some kind of a premium holiday.

He highlighted what the self-insurance committee has right now in terms of policies:

- The only policy as it pertains to the discussion tonight is a policy on excess reserves which is a policy on what to do if the fund has a surplus. The intent of that policy is not to grow or maintain a surplus. It is simply to say if there exists a surplus what happens to it. There are calculations determining the reserves included in the policy. There is a 15% threshold there. It talks about anything under 15% of budgeted expenditures is to stay in reserves and is to be used by the self-insurance committee to stabilize cost increases or meet unanticipated reserves. Over 15% is available to the town council for one-time expenditures including capital improvement projects. Right now, the excess of the 15% is just shy of \$2 million.

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He explained what the self-insurance committee does not have in terms of policies:

- do not have a reserve fund level
- do not have policy on building a reserve fund
- do not have a policy maintaining a reserve fund
- do not have a policy on altering payments during the fiscal year (which is what is on the table tonight) and potentially not add to the surplus.

In the package tonight is the self-insurance committee's analysis of what the impact may be of a premium holiday. It came to this board and my person opinion advised Mr. Labieniec - and we can hear from the entire board --- is it would be this board that would be the appropriate venue for the recommendation to the town council to come out based on the analysis of the self-insurance committee.

The report was provided by our insurance advisor, Joe Spurgeon. The current fiscal year, the self-insurance is in very good shape. About \$900,000 under budget year to date. We are talking about the current fiscal year and a possible premium holiday and how that may impact a reserve fund.

The analysis shows where we stand year to date and it laid out a few different scenarios: if the remaining four months came in at budget, came in as has been trending or if they came in slightly higher. There is a table showing what that would potentially add to the reserve fund if it came in at those projections.

Our decision tonight is I think, as a Board of Finance member looking at the deficit mitigation plan, do we think this is something we can get behind and recommend based on the analysis the self-insurance committee put together. That would be determined based on looking at where we are in the current fiscal year and if we thought the trending was to continue as it has been or possibly if it got to a point where it was over budget to the extend that the current fiscal year came in at the final budget, would we feel comfortable with the amount that may not be added to the surplus.

Discussion.

The consultant felt that likely a conservative figure, depending on the different components of the reserve fund would be anywhere from about \$5 million to \$5.9 million based on a number right now of \$7.1 million. It's a \$1.2 to \$2 million or so under what a likely policy the self-insurance committee may take the balance and put into place. That's where the overage stands right now.

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It also appears likely, but not guaranteed, that we will add to the fund as a town based on where things stand fiscal year to date.

That's really what is before us tonight.

Mr. Beaudoin reiterated again the health of the self-insurance fund. In his mind, he felt the starting point was very conservative. I think right now we're in very good shape if we recommend the surplus could be used to mitigate the issues happening this year.

Discussion.

The numbers again were reiterated and compared by Mr. Labieniec noting the result is a \$1.3 million overage and that does not take into account what will likely be added when this fiscal year ends. It's healthy compared to a policy that does not exist currently and a policy that will likely exist in the future. Which is why the BOF is the board to make the decision and not the self-insurance committee, in my opinion.

Discussion.

Mr. Morrison brought up the claims from the last four months of last year. Ms. Portelinha noted it all on the last page of the spread sheet. Mr. Labieniec noted we are running year to date under budget.

Discussion.

Mr. Morrison asked about the IBNR and does that claims you don't know about and claims you know about? Ms. Portelinha explained IBNR is incurred but not reported.

Discussion.

Mr. Morrison asked: When the self-insurance committee made the adjustments in February where you took out \$500,000, if the numbers are so favorable, why didn't you make extra cuts? Why didn't we say next year we need to cut? If we think we can cut \$1 million this year, we should have said before the request was made two or three months ago, next year we're going to cut by \$1 million instead of by \$500,000. Are we being conservative?

Discussion.

Mr. Sciota explained when the numbers were set, we were way too conservative. I think we talked about being a little more accurate so we wouldn't be in a position where we are doing things at the end of a fiscal year by changing numbers after the BOF had a chance to look at budgets or the TC. We were hoping to be a little bit more on the money. The largest block of HSAs are really just coming on line. We were conservative in November and I think this November; our coordinator will look at numbers Anthem gives him with a little more jaundiced eye and hopefully we'll have better read on it.

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Discussion.

Mr. Morrison said his problem is we're making \$1 million now to try to cover a problem in another area. We're not making that adjustment for the sake of the program. We're making it to help somebody else. If we were doing it for the sake of the program, I could see \$1 million being cut. I do have a problem with this. It's taking out of reserves. He pointed out the issues in Meriden and Plainville right now in similar circumstances.

Discussion.

Mr. Labieniec pointed out the goal has never been to grow a fund.
Discussion.

In response to a query by Mr. Morrison, discussion followed regarding our advisor would say to build a reserve model with three components to it:

- IBNR
- Claim Corridor
- Budget stabilization

A conservative approach for us would be right around \$5.8 million.

Mr. Labieniec explained this is something he is ultimately in favor of and I think from a fiscal standpoint and looking at the analysis of it, I would be able to stand behind it.

Mr. Morrison discussed with Mr. Labieniec the polices that would be in place between now and the end of the year and whether that would prevent this from happening again. Mr. Labieniec explained he didn't think there would be a policy on a premium holiday. It is a special action based on the situation we find ourselves in for this fiscal year. I don't think you will see a policy there. The premium holiday is a one-time exception. I don't know if it would happen again.

Discussion.

Mr. Morrison said he would like to see a policy that says we don't do this during the year. We make adjustments based on the following year. Then we never get into a position where we make a mistake. I would support this if there was a policy said this is a one-time thing and it's not going to happen again.

Discussion.

Mr. Morrison asked Mr. Goralski what would happen if this wasn't to pass? Mr. Goralski said lay-offs which my colleagues and I said

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we would not and I'd be asking for an appropriation.

Discussion.

He further explained the deferment allowed last year which is totally different than this. This is reducing the contributions. The holiday allows the BOE to reduce the amount we put in and the Town to reduce the amount they put in and allows the employees to reduce the amount they put in. A holiday.

Discussion.

Mr. Beaudoin made a recommendation to the town council for the premium holiday for the BOE and the Town for the sum of \$1 million based upon our normal percentage. Mr. Pocock seconded.

Passed 5 to 0 on a roll call vote.

Executive Session: Personnel and Contractual

A motion to go into executive session barring the press and public and inviting the two members of the fire commission, the fire chief and battalion chief was made by Mr. Pocock. Mr. Beaudoin seconded. Motion passed unanimously on a voice vote.

(Whereupon, the meeting was adjourned to executive session at 8:11 o'clock, p.m.)

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EXECUTIVE SESSION

The Board of Finance of the Town of Southington entered into executive session on Wednesday, April 11, 2018 at the Finance Department Conference Room, 2nd Floor, 75 Main Street, Southington, CT in order to discuss Personnel and Contractual Matters.

The following board members were present:

Joseph Labieniec, Edward Pocock, Jr., Kevin Beaudoin, Tony Morrison & Susan Zoni

Staff: Mark Sciota, Interim Town Manager
Emilia Portelinha, Director of Finance

Absent: John Leary, Chair

No motions or votes were taken.

Mr. Pocock made a motion to adjourn executive session which Mr. Beaudoin seconded. Motion passed unanimously on a voice vote.

(Whereupon, executive session was adjourned at 8:54 o'clock, p.m.)

REGULAR SESSION

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

(Whereupon, the meeting was adjourned at 8:55 o'clock, p.m.)

Emilia Portelinha
Acting Secretary