

BOARD OF FINANCE
TOWN OF SOUTHTON
NOVEMBER 28, 2018

The Board of Finance of the Town of Southington held a Meeting on Wednesday, November 28, 2018 at the Town Hall Council Chambers, 75 Main Street, Southington, CT. Joseph Labieniec, Vice Chair, called the meeting to order at 7:00 o'clock, p.m.

Appropriations from Contingency Account:

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

Appropriations with Revenue Offsets:

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

The following board members were present:

John Leary,* Joseph Labieniec, Edward Pocock, Jr., Tony Morrison & Susan Zoni

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

(* Arrived where noted.)

Absent: Kevin Beaudoin

A quorum was determined.

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

JOSEPH LABIENIEC, VICE CHAIR, Presiding:

III. Public Hearing Items

NONE

IV. Old Business

1. Approval of Minutes of October 10, 2018 meeting

Mrs. Zoni so moved a motion to approve. Mr. Morrison seconded. Motion passed unanimously on a voice vote.

New Business

V. Assess current financial state of the town

1. Review revenues vs budget
2. Review expenses vs budget

Ms. Portelinha stated currently we are four months into year and our prior years' taxes are at \$35,000 above projected budget. Interest on taxes are \$35,000 above budget. Building permits are right on target. Interest on investments is \$250,000 above budget. Our Town Clerk's fees are \$70,000 above budget. Then we have the CIRMA equity brought up in prior months.

As for expenditures, Ms. Portelinha explained we are pretty much on target and no one has shared they'll be having any issues.

3. Review Capital Projects in Budget (Quarterly)

This will be heard in December.

4. Town Council Subcommittees (Emphasis on financial aspects)

- A. Sewer Committee (Tony Morrison)

Mr. Morrison reported at the last meeting the committee recommended Carlin Contractors as low bidder for the WPC contract. The whole project now is \$50 million which is \$7 million below what is authorized. It is made up of \$34.5 million in low interest loans, \$14 million grant and \$1.5 million in interest payments. It includes a \$2 million contingency. With the sewer fund reserve, there is no financial risk on this project.

It went to the Council for approval and they wanted to look at a court issue wherein Carlin was suing MBC over a project and MBC

countersued them. The Town Attorney looked into that and found it was pretty much a nuisance thing.

The Council approved it on Monday and it is going to the Town Manager for the Clean Water Fund application to be put into DEEP.

We should be starting work in January.

Mr. Sciota added the Council approved Carlin. Now the state has to approve them, also. As soon as we get that back, I will be signing all the documents. We're hoping to break ground as soon as possible.

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

Mrs. Zoni advised the pavers, Groups 1, 11 and 111 are finished and they were \$6,000 under budget for Phases 1 & 11. Phase 111 budget was untouched. That will continue next year to finish the rest of the pavers.

The Jude Lane/West Street intersection will be a prevailing wage job. It either has gone out or will go out in December to bid.

The Town Hall drainage improvements, Lavierro will do it. They were recommended to the Council and that was going in at \$29,200.

Mr. Sciota added this committee is also spearheading the Downtown Plantsville project. It's my understanding that after the three community meetings led by the Vice Chair of the Committee, they'll be discussing at their next meeting (next Thursday) and moving the project along. I believe they have a design I think everyone will be happy with.

C. Calendar House Building Committee (Mark Sciota)

Nothing to report.

D. Open Space Committee (Ed Pocock)

Mr. Pocock reported the Referendum was approved. We've had Boy Scouts and Eagle Scouts and they've done a couple of nice projects for us. One was up at Novick's for a bridge and the other was at Crescent Lake for another bridge replacement. They've spent a lot of time doing that so I want to give them the credit for that.

And, our Ass't Town Planner David Lavalley for the time he put in.

Also, at Novick's we are going to have a garden and it will be nice in the spring when it's finished. He's got the berm done and the area is cleaned up pretty well.

Other than that, there is nothing else to report.

Mr. Sciota added a thank you very much for supporting both referendums. Both passed. Thank you on behalf of the BOE and the Town for the roof at the high school for your support on that.

And, thank you to the general public for approving the open space referendum which we hope to put to some good use.

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

Vice Chair said there was nothing really to comment on. There will be a somewhat busy December as we have a meeting on December 3rd to go over the fund balance policy and then we have a second meeting on December 17th where we will be looking at a funding level for FY2019-20.

The November meeting was cancelled and was moved to December 3rd so it will be busy in December. I'll have more to report at a future BOF meeting.

F. Committee of the Chairs (John Leary)

Mr. Sciota reported the committee talked about the fact that you were going to be having your workshop as it pertains to this particular board and talk about budgeting not necessarily for this one year but budgeting into the future for three to five years.

G. Property Tax Relief Committee (Mr. Morrison & Mrs. Zoni)

Ms. Zoni advised on the November 1st meeting which was their first meeting. A get to know each other and try to figure out what we needed to do and what we wanted to do.

The most important thing I want to do is thank Theresa Babon, Director of Assessment and Tax. We gave her a magnanimous job and she did it. It was beautifully done. We need to thank her publicly for her work.

We asked her to find statute, examples of other things, ramifications to the town, how many people participate in tax relief programs already, in what categories. She came up with a very clean easy to comprehend report for us so that we have a very good starting place when we get together tomorrow.

The things we were planning to look at are parameters of how we can do tax relief. What is allowed within state law, what we are already, what is allowed that we are not doing, how we can disseminate information to the public so they will take advantage of whatever relief things are available.

We are really looking at age, veteran status, disability including partial disabilities, income thresholds, liens versus gifts, can any of these be stacks, are there minimums.

And, then should we make an educational packet somehow that we can disseminate through Calendar House, the Town Hall, the Library and on line.

And, exactly what we need to do so that people who need to participate and want to participate can participate.

Mr. Morrison echoed Mrs. Zoni's comments on Theresa Babon. Excellent packet. We will discuss tomorrow as Sue said.

Just a couple of things that come across us as board. The first is it seems like we have \$844,000 or \$845,000 that we actually offer already to veterans and the elderly. More to veterans than the elderly. And, of that, that's three quarters of a mill point. Just over that.

The issue we had last year was kind of interesting because the tax collection for the elderly which is the largest chunk of which we give away which is \$332,000, that used to be reimbursed by the state and it isn't now. So, the town has to pay that.

Anything in the future that we can do and Theresa has put together a statute that we aren't taking advantage of right now, and we certainly can if we desire to, the problem is the reimbursement part of it. What the state giveth, the state taketh away. That's an important thing to think about.

And, 585 people get the tax credit for elderly and the funding was taken away from us.

There's about 20 to 25 programs that we use already. It is going to be an interesting new few meetings.

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

A. Investment Committee (Kevin Beaudoin)

No report this evening as Mr. Beaudoin is absent.

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

Mr. Pocock reported the new Fire Chief has a lot of programs he wants to look at and has looked at. I noticed a big difference in the overtime item. It's gone down and that's a good start. It's about the best part when it comes to money that I saw.

Mr. Sciota wanted to mention that at the Council meeting when he gave his presentation, which I must tell you was excellent and if you can catch it on line, catch it. Obviously, in the short time he has been here he, in my opinion, has gotten the pulse of the town and the fire department.

On his first day of work, I asked him to look at five things and he's done that already. He's making some decisions. Obviously, his first big item will be coming up which will be the budget and I'll be working closely with him as soon as he and his board submit the budget. I have only positive things to say at this moment.

Mr. Pocock agreed. He has seen changes.

C. Other Committees

Nothing this evening.

6. Board Communications

The Vice Chair brought up the schedule handed out. Ms. Portelinha explained it is preliminary and it can be voted on next month. Just so that you have the information to review. Let us know if you need to make any changes.

VI. Public Communications (Excluding Public Hearing Items)

None this evening.

VII. Review Long Range Plan and Priorities

1. Review status of LRP items in current fiscal year budget
 - A. Status / Reprioritizations

Nothing this evening.

2. Strategy Discussion

(Minutes are prepared summary style and you may refer to the video on line to hear the full discussion.)

Mr. Sciota explained the BOE and the Town and in an ancillary position the water department have worked with a consultant over the last several years for energy management. In discussions with the BOE and the Town, we decided to go out for an RFP.

Our current consultant will be able to go forward on that, also, but because there were some questions about what a consultant does, how does he help the town and what he has been doing, I've asked Adam to come to give a presentation.

(Handout passed around which is on file in the Finance Department.)

Adam Teff with Titan Energy which has been hired as the procurement consultant for the Town of Southington since 2013.

The responsibilities and the scope of work Titan takes on includes more than just procurement. But since there was a recent procurement event, which was by all rights, unplanned, I thought it made sense for me to come in and introduce Titan and tell you a little bit about what we do and give you a general sense of how the procurement event transpired and what the results have been.

I understand that part of why I was asked to come in is that there was a contract in place that we went out to bid for in 2016 and it was about a year in advance of when the current contract was set to expire but generally speaking, I would say the market was in as good a place as it had been for the last ten years. So, even though the current town contract that predated Titan was still in effect, we

thought it made sense to go out to market and put something in place for the next year.

We did that with a company, Blue Rock Energy. They were winning a lot of bids at the time. We ended up putting them with about 400 accounts we manage. They were thoroughly vetted and all that good stuff. Financially strong. Certainly, hit all of our criteria for a supply partner that we thought made sense for the Town.

Unfortunately, this last year has been problematic, I would say across the board with a number of suppliers, due to some regulatory changes in how the markets were pricing energy. A number of suppliers have passed through price increases to their customers or some --- Blue Rock actually exited the market altogether. That news broke in September, so we scrambled. The contract I'm referencing had another 14 months left on it. We had to go back out to bid for the Town and BOE accounts, which I think by all rights was fairly successful, but obviously no one likes to see a supplier exit the market and a contract early.

I wanted to include some information about the events that transpired over September to give a little bit of color of the change in law that the supplier revoked. Titan actually went to some pretty extraordinary efforts working with outside counsel and contacting PURA, really to make it known we did not agree with the act of the supplier. It affected a number of customers of ours. As I said, there were a number of other suppliers which did similar things and I would say in some cases worse. Passing through cost increases. It was certainly unexpected news and caught everybody a little bit off guard.

For some perspective, I went back and looked at the overall results from 2016 to see who were the responders that responded to the RFP at the time, what was their pricing like. More of an exercise to see what could have been.

All but two suppliers ended up either passing the cost increases in 2018 or forward in 2019. And, then in the case of Blue Rock, they exited the market entirely.

At the time, Blue Rock represented the lowest price but nothing in the range of outlier status that we look for in terms of is somebody the low bidder and is there a reason why. They passed muster in almost every respect.

In their contracts they left the door open to be able to exit the market if regulatory changes occurred and virtually all of the supplier have language that say in the event of a regulatory change, we reserve the right to pass those costs through.

This is something that on a forward-looking basis we are paying extra close attention to. Nobody likes to have a contractor leave earlier or have a price change.

We acted as quickly as possible to put the town into a new agreement. Relative to where the current market is now, I would say that agreement is strong. Between the last contract and this current contract put in place for a November, 2018 start represents a significant discount to the alternative which is purchasing generators from Eversource. That doesn't undo the fact that we had to go back out to market sooner than expected, but I think it proves that the process works and the savings are there if you manage the costs well and run a strong bid like we did.

Procurement consultancy is basically the town manage their commodity costs for electricity, natural gas and diesel gas.

(* Mr. Leary entered the meeting at 6:55 o'clock, p.m.)

There are options for a town to go either on a third-party market and procure, to purchase those commodities at discount relative to what the utility sells them for, it allows an opportunity to fix costs over a period of time for budgetary certainty.

There are two approached when we work with the town. It is a combination of savings against the alternative and also helping the folks in finance budget for the future based on a fixed price as opposed to one that changes every six months from the utility.

The end goal is really to save money and introduce certainty into the process for the town. I think generally speaking we have been successful in doing that with the electric, natural gas and some liquid fuel that the town uses.

Contract of performance over time would be the final page of the hand out. I wanted to put together during the periods under which the town had a contract that was procured through Titan, the annual savings have been very strong. We are still performing well against the utility and I think saving the town significant money.

The procurement event that took place in November will position the town well against the utility for the next two years. For the time being we should be set. We will continue, if we are selected as a responder to the current RFP for procurement services that is out publicly now, we would hopefully continue to do that in the future.

Mr. Morrison asked and discussion was had:

- about the regulatory change that took place. Mr. Teff explained there is a portion of the generation rate that the town pays that is set at the grid level. Explained.

Our opinion is the supplier, when they put the contract in place in 2016, they didn't fully hedge themselves and they were probably underwater on that deal.

Explained.

Mr. Teff explained in their thinking, capacity price changes aren't necessarily a change in law. Thus, the consultation with counsel and a motion filed with PURA. There probably won't be any positive feedback on that for quite some time. I would say we only partially agree with the action of Blue Rock which makes this difficult for us.

Explained.

Other supplies passed their costs through to their customers. Blue Rock was the only one that exited.

Explained.

Blue Rock is still a strong company and they did not go out of business. They're still in New Jersey and Massachusetts.

Mr. Teff further explained the vetting and due diligence that was done regarding Blue Rock and that is frustrating.

Discussion.

It would have been a challenge to try to wiggle out of the price increase in cost they would have passed on.

As far as foresight goes, we do our due diligence to make sure the suppliers we advocate for to our customers are financially strong, they stick to their contracts and do what they say they will do stated Mr. Teff. We wouldn't work with a company that we thought would do something like this. I think 2018 was a strange year because capacity prices are triple over what they've been over preceding years and what they're scheduled to be in the future. Any screw up by a supplier not being hedged enough is super painful.

Discussion.

Mr. Sciota advised the process is now that Adam's contract is due in December. The RFPs will be opened later this month. The recommendation will be made by myself, Emilia, Sherri DiNello, I'll probably bring Annette Turnquist in for some of the other aspects of it. Other than that, we will give our recommendation to the Council at that point.

VIII. Conduct Administrative Business

1. Consent Agenda

A.	Appropriation	\$1,525 *	Capital Budget - Rails to Trails Donations
B.	Appropriation	\$6,700 *	Highway/Parks - Program Supplies - CFGNB (Spec Rev)
	Appropriation	\$850 *	Streetlighting - Equipment Maint - Loss/Damage (Spec Rev)
C.	Appropriation	\$552 *	Highway/Parks - Overtime
D.	Appropriation	\$385 *	Police Dept - DARE Donation (Spec Rev)
E.	Appropriation	\$5,004 *	Fire Dept - Fire Extra Duty
F.	Appropriation	\$750 *	Town Council - CFGNB - White Christmas (Spec Rev)
G.	Appropriation	\$1,800 *	Farm Heritage Fund - Program Supplies (Spec Rev)
H.	Appropriation	\$1,855 *	Highway/Parks - Property Maint-Loss/Damage (Spec Rev)
I.	Appropriation	\$600 *	Youth Svcs - STEPS (Spec Rev)
	Appropriation	\$610 *	Youth Svcs - Outside Programs (Spec Rev)
J.	Appropriation	\$33,669 *	Board of Education - Operations

Mrs. Zoni made a motion to approve the Consent Agenda in its entirety. Mr. Pocock seconded. Motion passed unanimously on a voice vote.

2. Manager's memos

1.	Appropriation	\$28,893 *	Calendar House - Temporary/Seasonal (Spec Rev)
	Appropriation	\$14,000 *	Calendar House - Gasoline (Spec Rev)
	Appropriation	\$12,000 *	Calendar House - Vehicle Maintenance (Spec Rev)

Mr. Morrison made a motion to approve. Mrs. Zoni seconded. Motion passed on a majority voice vote with Mr. Pocock abstaining.

2.	Appropriation	\$50,400 *	Capital Fund - Town Wide Vehicle Replacement
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Board of Finance – November 28, 2018

Appropriation \$ 4,285 * Capital Fund – Town Wide Vehicle Replacement

Mrs. Zoni made a motion to approve. Mr. Morrison seconded. Motion passed on a majority voice vote with Mr. Pocock abstaining.

3. Transfer \$1,500 Dept of Assessment – Overtime

Mr. Sciota explained there were a couple of vacancies and somebody moved into a new position and the upgrade causes an overtime issue. But we're transferring out wages.

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

4. Transfer \$4,000 Fire Dept – Equipment & Furniture

Mrs. Zoni so moved a motion to approve. Mr. Pocock seconded. Motion passed unanimously on a voice vote.

IX. Meeting Adjournment

Mr. Leary made a motion to adjourn. Mrs. Zoni seconded. Motion passed unanimously on a voice vote.

(Whereupon, the meeting was adjourned at 7:07 o'clock, p.m.)