

Town of Willington

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BOARD OF FINANCE

**Meeting Minutes
Via Public Online Video Conference**

**July 16, 2020
7:00 PM**

**Minutes are not official until approved at the next regular meeting*

Members Present (a quorum of 4 members is required to conduct business):

Mike Makuch – Chairman
Geoff Prusak – Vice Chair
Peter Tanaka – Secretary
Christina Mailhos
Stephanie Summers
Matt Clark

Members Absent:

Lisa Woolf – Alternate
Mike Perry - Alternate

Also Present:

Erika Wiecewski – First Selectwoman
Members of the Public

Chairman Mike Makuch called the meeting to order at 7:02pm.

APPROVAL OF MINUTES

**Mike Makuch made a motion to approve the regular meeting minutes of June 18, 2020.
Christina Mailhos seconded the motion.**

Vote: 4 Yes (C. Mailhos, M. Clark, P. Tanaka, M. Makuch), 0 No, 2 Abstain (S. Summers, G. Prusak)

PRESENT TO SPEAK

Peter Latincsics of 97 Trask Rd. stated: Following up on my questions from the last meeting:

- 1) Status update of MBR (Minimum Budget Requirement) calculation; an important metric for next year's budget.
- 2) Status update of school roof project; a longstanding item approved by CIP almost 2 years ago.
- 3) Status update of remainder of unexpended funds in Board of Education (BOE) budget.
- 4) Where the Board of Finance (BOF) stands in monitoring the status and expenditure levels of both BOE and town budgets.

Chairman Makuch replied with the following answers:

- 1) No information from the state regarding MBR; still saying they will hopefully have an answer in August.
- 2) Roofs on hold right now due to COVID-19 complications. He will be following up for additional details.
- 3) No information yet, as it is early in the new fiscal year and not all items may have been posted yet.
- 4) Will be addressed later in the meeting.

Peter Latincsics replied that he understands the town is waiting for the state to provide the MBR calculation, but that doesn't prevent the town from entering data that we are aware of and performing the calculation ourselves. We know the reduction in cost of Region 19, shared services between town and schools, and more will affect the MBR next year. He encourages Superintendent Stevens to populate the spreadsheet as best he can so that when the state reviews it, a meaningful discussion can be had.

OLD BUSINESS

1) Public Health Crisis Update-potential effect on municipal budgets

Chairman Makuch stated that based on available information, the northeastern part of the country is doing pretty well managing the health impact. Businesses are reopening, though many are still having a hard time getting employees back because of the \$600 unemployment incentive. There is talk at federal level as to what will and won't be extended. At this moment, things seem cautiously optimistic in our area, though the condition of the rest of the country and possible backlash is concerning and we don't know what the fall flu season will bring.

Selectwoman Wiecenski added that the June unemployment numbers have not been posted yet. Public information on the Department of Labor (DOL) website from May shows Willington has 3,473 eligible to work, 3,243 employed, and 230 unemployed, for a 6.6% unemployment rate. Chairman Makuch clarified that Willington's typical unemployment rate is around 3.6%.

Geoff Prusak stated that as a business owner, the Paycheck Protection Program (PPP) funds are unclear what is forgivable or will need to be paid back, so that is in the back of many minds. Furthermore, business owners are figuring out how to best use that money. Chairman Makuch commented that he has had a similar experience with updated federal and state guidance on use of funds with another organization that accepted a PPP loan. However, that organization is re-furloughing 25% of people who were furloughed earlier because the PPP loan is running out of money and not enough business has come back yet.

Christina Mailhos inquired about the early status of tax collection; taxes are normally due by the end of July, though the deadline to pay without penalty has been extended due to COVID-19. Selectwoman Wiecenski shared that tax collection, based on the number of days collected, is on target with normal years. The town is still waiting for some of the largest mortgage companies to pay, but rest of the collections are right on track. Most feedback from residents on their mindset is to pay now as there will be less time to save between October and the second installment due date in January.

2) Annual report-previous year

Reports still outstanding:

- Board of Assessment Appeals
- Economic Development Commission
- Inlands, Wetlands, and Watercourses Commission
- Library
- Planning & Zoning
- Treasurer
- Zoning Board of Appeals

Chairman Makuch noted that, as the 19-20 fiscal year just ended, work on that annual report will begin shortly.

3) CIP

a) Committee reopening

Capital Improvement Program (CIP) Chairman Stuart Cobb asked to wait to reconvene the CIP Committee until August, as more information will be available from Business Manager Donna Latinsics at that time.

b) Current FY funded projects-approval process

Chairman Makuch stated that the board is already getting requests from units such as the senior center, who would like to move forward on purchasing a vehicle which was approved in CIP and would like to know the approval process for receiving those funds. He summarized that in normal years, though the process does not apply to every funding line, an organization typically comes back to the Board of Finance to request that the allocation be made. Currently, because the Town Meeting process isn't in place due to Executive Orders related to COVID-19, the process is unclear.

Selectwoman Wicinski stated that Executive Order 7S, Section 7 speaks to critical/emergency and time-sensitive spending, which has to meet some criteria: "...necessary to permit the orderly operation of the municipality and that there is a need to act immediately and during the duration of the public health and civil preparedness emergency in order to avoid endangering public health and welfare, prevent significant financial loss, or that action is otherwise necessary for the protection of persons and property within the municipality." The town attorney advises that, in the current absence of Town Meetings, the town should err on the side of extra approval and oversight. He recommends expenditures be approved by the Board of Selectmen (BOS) and the Board of Finance (BOF), if it is an expenditure with which the BOF would normally be involved. She explained that the items such as heat, boiler replacement, fire department safety gear, and oil tank replacement fall into the category of critical and time-sensitive spending.

Selectwoman Wicinski continued that there is some grey area as to whether the senior center van purchase and painting and Hall School exterior items fall into that category. Expenditures with the exception of the oil tank replacement at Willington Fire Department #1 are under Line Item 0930 – Capital Expenditures; projects from that fund would not normally come back before the BOF and do not require a Town Meeting, so they just need approval from the BOS. The oil

tank replacement is a Local Capital Improvement Project (LoCIP) and would typically go to Town Meeting and BOF for appropriation, so that project will need approval from both boards.

Selectwoman Wiecenski shared that the Board of Selectmen met in a special meeting on July 15 to approve the town's existing lease and bond payments related to Public Works vehicles, FD vehicles, and the library bond which are included in CIP. Those funds are time-sensitive so the town doesn't default on those items. No new items were approved. She explained that the special meeting was scheduled because the selectmen were unable to all be in attendance for their regular July 20 meeting and some of the payments were due before their regular August 3 meeting.

Chairman Makuch commented that, if we are erring on the side of extra oversight, it seems like the Board of Finance should be involved in approving projects, even if they're out of Line Item 0930 and wouldn't normally come back to the BOF. Selectwoman Wiecenski replied that there's no reason why they couldn't if he felt that's what needed to be done. She would rather over-approve than under-approve.

Discussion was held on the fact that some of the policies, processes, and procedures are unclear, especially when roles in town are first undertaken, and it would be helpful to have a roadmap or flow chart which could be referenced.

Stef Summers asked whether the senior center van will have a lift and will be used to transport seniors to and from medical appointments. Chairman Makuch clarified no, they use a service like Dial-a-Ride.

Matt Clark asked questions to further understand the town attorney's advice for more oversight, the specifics of the Executive Order, and how funds are appropriated to capital projects in normal years. Selectwoman Wiecenski and Chairman Makuch clarified that because the CIP plan is usually approved by a vote during a Town Meeting, and that couldn't happen for this budget due to coronavirus, the attorneys made the recommendation for the additional step to ensure a publicly notified approval process take place for these expenditures. Selectwoman Wiecenski explained that the Board of Finance appropriating funds into line items as part of the budget process isn't the same as final approval of those funds.

4) Schools

a) Roof project

Roof held up due to COVID-19 concerns. Chairman Makuch to follow up.

Geoff Prusak asked if it was worth looking at different avenues to fund the roof project given that towns are always waiting for reimbursement from the state. Peter Tanaka replied that the project is fully funded and the BOF voted to approve all funding and steps even if there isn't a reimbursement available in the future.

Geoff inquired how the roof project will be paid, whether directly or through a federal/state fund and whether that was a source of the project delay. Peter replied that he believes it was set up for them to be paid directly.

Stef Summers added that her understanding from Superintendent Stevens is that there is a savings to be achieved by completing the project in the fall, as roofers were already committed to projects for the summer, and it would not be a disruption to learning to complete it at that time.

b) CES septic

Repairs completed and paid for in FY19-20 funds; no impact to new fiscal year.

NEW BUSINESS

1) Capital funding process:

**a. Definition of capital expenditures
&**

b. Capital funding of large maintenance items versus assets

Chairman Makuch summarized that board members have raised questions worth discussion and clarification. One question is how the town defines “Capital Expenditure”. There is information available, but it’s on paper and not readily available for sharing. He continued that while there is a fairly good definition of Capital, it can vary year to year depending on the seated members of the BOF and CIP Committee. Some years, large maintenance projects are considered Capital and other years they’re not. The threshold for maintenance projects being completed out of a department’s own budget can shift; some years \$5,000, some years \$10,000, etc. The fact that the definition is variable makes some questions hard to answer, including the Capital approval process discussed earlier in this meeting.

Matt Clark stated that in the business sector, Capital isn’t based on a dollar amount but on how long an item will last; if less than 7-10 years, it’s usually defined as a maintenance item and needs to be budgeted.

Stef stated that a full paint job and carpeting could easily last 7 years. In a town our size, \$10,000 is a lot of money, so it’s unlikely that would be available in a department’s budget for maintenance. One way or another, the Board of Finance would be moving money over for larger maintenance lines. In some ways, that doesn’t control spending as well.

Christina stated that historically, the reason that carpet and paint is in Capital is because the school has an annual need to replace them. The thought was to put it in as a constant expense that would come out of CIP and wouldn’t be in the operating budget, otherwise it would be an easy thing to cut. Once it was cut, the school would end up behind in replacing it.

Peter added that he thinks maintenance projects versus capital projects should depend on how foreseeable the expense is. For example, one item that keeps coming up in CIP for the fire department is bunker gear. If they put 4 or 5 sets in every year’s budget as a replaceable item, then they don’t have to come to CIP for all the sets at once. Chairman Makuch replied that fire departments have been advised to carry money each year for replacement of equipment, but then surprises happen like receiving a grant which enabled them to buy 25 sets at once; 10 years later all 25 sets needed to be replaced.

Chairman Makuch continued that there are many examples of places where Capital hasn't been and needs to be defined. He told board members that between now and the August meeting, he will go through his personal files to find all relevant paper files going back to the beginning of CIP. He will also work with Selectwoman Wiczenski to find out what's available for guidance on policies and procedures at the town level. He will get all this information to board members in advance of the next meeting.

Matt asked if we can ask the Connecticut Council of Municipalities (CCM) for guidance. Chairman Makuch replied that when we have asked in the past, the reply was that every town does it differently, but they can certainly be consulted.

Geoff added that there is a certain amount of finesse which goes into the process and definitions, which is the job of the CIP Committee, so it can't be nailed down to an exact black and white definition. Christina added that not only does every town do it differently, but members of the CIP Committee in a given year do it differently, and the members of the BOF in a given year accepts it differently. It's not up to the Board of Finance to write down and make sure it's adhered to; it'll always be evolving and always be a topic to discuss.

Matt stated that he believes Capital expenditures should be large expenditures that last a long time such as libraries and roofs. He understands keeping maintenance items out of the education budget, but it doesn't seem that painting walls falls under Capital expense. A policy would be helpful so that the focus is not on moving money around for things that last a little while, but on real, long-term capital.

Chairman Makuch commented that the goal is to get closer to defining and agreeing on the definition of capital expenditures that Willington is going to use.

2) Monitoring the current FY budget in real time

Chairman Makuch shared that many people have expressed interest in this topic, especially due to the unique situation. He shared that he reached out to Business Manager Donna Latincsics to ask what was available in the system as far as a status report for the Board of Finance to monitor. Chairman Makuch shared a year-to-date financial snapshot showing what percentage of each budget remains and what has been expended, noting that this snapshot was taken only 15 days into the fiscal year. He commented that this document would be a helpful place for the board to begin at each month's meeting, if the board had it a few days in advance in order to review.

Stef Summers inquired why the full Fire Marshal salary is already encumbered. Selectwoman Wiczenski explained that all salaries are encumbered immediately at the beginning of the fiscal year because they are fixed expenses. She noted that the report comes from the new software and all users (department heads and school users) haven't learned to use the system yet. The purchase orders that are typically set at the beginning of the year aren't showing yet, which will change into August as they learn to do those things in the new software. It is a new step on the town side for department heads to be handling that, but there is access to view it in real time.

3) Board of Finance manual/policies/etc.

Chairman Makuch noted that this item continues conversation from Item 1 of New Business; Mike Perry asked for a policies and procedures manual, and it is clear the board needs an easier way to find relevant documents. He suggested a possible subcommittee to work on gathering information to discuss and compile to one location so everyone can understand the policies. This will benefit the public, board members, and budget presenters and is overdue.

Discussion was held about the possibility of setting up a shared folder or drive for the board to access. Mike D'Amato offered to set up such a drive.

Matt Clark added that it would also be useful for members to have access to documents, such as budget proposals, presented at meetings instead of looking through e-mails to find them. Geoff noted that the board usually has paper copies of documents and this has been more of an issue recently due to meeting remotely.

CORRESPONDENCE

Chairman Makuch will forward to the board the e-mails from Donna with the financial snapshot and the Superintendent's office.

PRESENT TO SPEAK

Matt Clark inquired about asking Willington's auditing company to present the BOF with their recommendations or evaluation of our policies and procedures, how we're doing, what they think of it, etc. It is common to go to accountants to ask for their opinion.

Chairman Makuch replied that the firm is given a task list and is paid a certain amount of money for that auditing; they are not under retainer. He isn't sure if they have the ability to be consulted in that fashion without new fees being incurred. He commented that he would follow up on whether that is available currently, but that it would be a good idea to pursue either way.

Stef Summers asked that at the August meeting she would like to hear from Superintendent Stevens and Selectwoman Wiecenski about unforeseen expenses they see in opening the schools in a completely new way and running departments in a new way. With the Heroes Act stuck in senate and the state's \$2 billion deficit, the board should be proactive and look ahead at what some of those issues and costs are, as those are going to be a challenge. She specifically mentioned limits on number of students on busses.

Chairman Makuch noted that he would e-mail both to ask them to provide information.

Matt asked for more specific information such as non-binding estimates, as the changes mentioned sound like big expenses.

Selectwoman Wiecenski shared that the Board of Education will have a Special Meeting specifically to discuss the reopening of schools plan on August 5 and will have a better idea of expenses after that meeting.

Peter Latincsics of 97 Trask Rd. stated: this has been an extremely difficult evening to sit through. There is not as much ambiguity about what CIP and its process is as the board is suggesting tonight. If you look at the CIP document that is submitted to the town every year, there is a 5 page process that defines the entire process, we just don't follow it. It defines financial measurements of what CIP projects are and includes a prioritization process that was at one time used by CIP but is now discarded. It has evolved into a free-for-all of every town entity looking to fund their interest. He suggested the board start by reading the actual policy, as it is explicit and helpful.

Peter Latincsics continued that he is encouraged by what Chairman Makuch shared about having the new financial system available to the townspeople and that having those links would be beneficial for everyone and he encourages the board to do it. However, he is deeply disturbed that he attended a budget vote for the town that his BOF represented him at. At that budget meeting, you voted on the town budget and the CIP budget. In fact, the board modified and approved it. Now he is hearing from the Chairman of the Board and the First Selectwoman that that didn't happen? That doesn't make any sense to him. That was approved by the townspeople, because the BOF was acting on their behalf. You can't represent to the townspeople that you approve something and now suggest that you didn't, and the First Selectwoman suggest that she can selectively pick those items that she wants to fund in emergency meetings. It is outrageous and bordering on fraud and should not be allowed to happen.

Peter continued that he distinctly heard throughout the budget process that any emergency expenditures would be approved by the BOF first. He didn't know about the special meeting last night, and obviously the BOF didn't act on this expense. It also wasn't an emergency expense as it was in the CIP plan that was approved by our town vote which you represented us at. The BOF does not decide what is spent in CIP, nor does the BOS, the townspeople do. Now you're telling us that you approved it but that you didn't and now you're going to establish some new criteria for deciding what you want to do or not do. He objects to that and is asking the BOF to do their job and not allow emergency expenditures to occur that the BOS choose to act upon, and not allow the budget to be undone, which is what you're suggesting tonight. He expects to see it discussed at the next BOF meeting and noted that he hoped to attend the next BOS meeting, but now has learned it was canceled in lieu of the special meeting that no-one was able to attend. He understands that the action was taken by the BOS but doesn't expect the BOF, who is responsible for all the financial activity in this town, to allow the budget to be undone by a BOS action and nor should the BOF support it.

Chairman Makuch responded to Peter that he has attended a great number of BOF meetings, knows how the process works, and understands this is an unusual situation. He stated that Peter is always very careful, especially in this process, to advocate for the taxpayer and make sure the process is transparent and that the BOF, if necessary, takes steps to make sure it's done right. Arguing now that the BOF shouldn't be taking extra steps is contrary to the efforts the board is trying to take to make sure we're doing this right. The BOF is trying to follow the Governor's directives, which are not strong in directives about Capital, and doesn't want to make any mistakes tonight. We may find when we do the research that what we approved previously in lieu of the taxpayers is all that is necessary, but right now we are taking the extra steps and using caution, which is typically what Peter advocates for. If we find out we don't need to take another

step to approve the Capital expenses, that's great, but other taxpayers may be concerned that there is an allocation process during a normal year and the BOF skipped it this year. Chairman Makuch asked Peter to consider that the board is erring on the side of caution.

GOOD & WELFARE

Chairman Makuch noted that longtime Willington resident Dan Avery, former Fire Chief and First Selectman passed away yesterday. He thanked Board members for working through this difficult process.

Peter Tanaka made a motion to adjourn the meeting at 8:14pm.

Stef Summers seconded the motion.

Vote: 6 Yes (M. Clark, S. Summers, C. Mailhos, G. Prusak, P. Tanaka, M. Makuch), 0 No.

Respectfully submitted,
Marysa Semprebon
Recording Secretary