

Town of Willington

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BOARD OF FINANCE

**Meeting Minutes
Lower Level Conference Room**

**January 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 Chairman
Peter Tanaka – Secretary
Steph Summers
Randy Belair
Barry Wallett
Mike Perry – Alternate
Christina Mailhos – Alternate

Members Absent:

Also Present:

Selectwoman Wiecenski
Superintendent Phil Stevens
Troy Sposato – Director of Public Works
Donna Latinsics – Business Manager
Members of the Public

Chairman Mike Makuch called the meeting to order at 7:01pm.

SEATING OF ALTERNATES

Steph Summers made a motion to seat Christina Mailhos for Geoff Prusak.

Peter Tanaka seconded the motion.

Vote: 5 Yes (M. Makuch, B. Wallett, P. Tanaka, S. Summers, R. Belair), 0 No

APPROVAL OF MINUTES

Peter Tanaka made a motion to approve the emergency meeting minutes of December 19, 2019.

Steph Summers seconded the motion.

Vote: 6 Yes (M. Makuch, B. Wallett, P. Tanaka, S. Summers, R. Belair, C. Mailhos), 0 No

Peter Tanaka made a motion to approve the special meeting minutes of December 23, 2019 as amended.

Christina Mailhos seconded the motion.

Vote: 4 Yes (M. Makuch, C. Mailhos, P. Tanaka, R. Belair), 0 No, 2 Abstain (B. Wallett, S. Summers)

PRESENT TO SPEAK

No-one present to speak.

NEW BUSINESS

1) Report from Auditors, Mahoney Sabol, Mike VanDeventer

Mike VanDeventer presented the 2019 Town of Willington Audit Results as done by Mahoney Sabol. Each board member was supplied a copy of the presentation, State Single Audit report, and Comprehensive Annual Financial Report. Mr. VanDeventer noted that the company's opinion provides reasonable assurance that the financial statements are free from a material misstatement, whether due to error or fraud, and ultimately that they've been prepared in accordance with accounting principles generally accepted in the United States. The company does not express an opinion on the town's compliance with laws and regulations, or on the effectiveness of internal controls.

During the course of the audit, if they had identified a material noncompliance with a law or regulation, or material weakness in internal controls, they are required to include it in the letter. No such issues were discovered. Chairman Makuch clarified that the term "unmodified 'clean' opinion" means that no problems were found and nothing needed to be amended for that to be the case.

On page 7 "Governmental Funds – Highlights", Mr. VanDeventer noted that the Government Finance Officers Association (GFOA) recommends municipalities maintain at least 2 months of reserves, so Willington is right around that threshold at 1.9 months. The report identified no deficit fund balances that the board needs to be concerned about from a budgetary perspective.

On pages 8 and 9 "Government-wide Financials – Highlights", Mr. VanDeventer noted that this includes all of the town's funds, capital assets, and any related debt; long-term liabilities. He noted that the majority of municipalities report a significant deficit in their net position associated with unfunded pension and other post-employment benefit liabilities, so the fact that Willington has a positive fund balance is favorable from a financial perspective. Regarding net pension liability, a 7.0% discount rate is reasonable and it is considered a well-funded plan. Regarding other post-employment benefits, as of year-end the town has not established a trust as with the pension trust fund, and his recommendation is not to do so and to continue to fund that on a pay-as-you-go basis. Regarding State Teachers' Retirement System, it continues to be a significant financial obligation of the State of Connecticut. The collective pension (OPEB expense) that is recognized by the State is also reflected in Town financial statements.

R. Belair inquired whether the municipalities that are at a deficit are chartered towns. Mr. VanDeventer confirmed that many are chartered towns with full police and fire departments,

meaning union benefits and pensions. C. Mailhos inquired about the 1.3% in debt service. Mr. VanDeventer stated that typically they see between 5-10% and that many municipalities have a policy that it shouldn't exceed 10%. The figure relates to how well towns are maintaining infrastructure, because those projects are often paid for through long term debt. Chairman Makuch asked for clarification on the difference between \$12.0 million and \$2.4 million listed under State Teachers' Retirement System. Mr. VanDeventer stated that \$12.0 million is the net pension liability, or pension benefits, and \$2.4 represents the other post-employment benefits provided. B. Wallett added that \$1.2 million paid on-behalf is the amount that the state has been talking about shifting to towns.

Mr. VanDeventer stated that the numbers were determined using a discounted rate of 8% but that the state will be dropping the rate to 6.9%, so there will be a significant increase in the annual required contributions. He concluded by saying that the company have no significant audit adjustments and that the information that the Financial Office is providing to the Board is accurate.

R. Belair directed the Board's attention to page 5 of the State Single Audit document to highlight that the town received only \$64,000 for Capital Improvement Projects. He inquired whether the new accounting system has been deployed and whether it will facilitate the audit process in the future and make it more efficient. The new accounting system goal date is July 1. Mr. VanDeventer replied that with the conversion, the first year may have some hiccups, but that he is familiar with the new software and that it will be smoother moving forward.

The Board thanked Mr. VanDeventer and said that it is nice to hear that there are no negatives in the audit report.

2) Letter to Budget-Submitting Organizations

Chairman Makuch stated that this is regarding the letter from the Board Chair representing the Board consisting of standard language and giving instruction to budget-submitting organizations as to what percent change the board would like to see them presenting back in their budget requests. He provided the board with a copy of last year's letter for reference. Last year's budget was requested to be flat. The letter also points out any known issues; Chairman Makuch asked Treasurer Diane Bulick to report on anything she knew of that is upcoming or will impact this decision, but revenue projection information isn't available yet. Business Manager Donna Latincsics added that there is nothing concrete yet. The board asked Selectwoman Wiecenski if she had heard anything on the state level that might affect the budget. She replied that there is no change anticipated, but that the state projections change drastically even within a week sometimes.

S. Summers spoke about the potential budget impact of the change of rules in the Open Space ordinance. Some information is unknown until applications are filed, but there are 68 parcels that would be precluded from getting an Open Space designation because they have 5 or fewer acres. Based on her calculations, the impact on revenue would be an additional \$49,000. Some properties are affected more than others. A couple of people have combined parcels so those numbers may decrease. Chairman Makuch stated that the assessor said that the ordinance change

would affect the October 1, 2019 Grand List, so it will affect taxation on July 1, 2020. Selectwoman Wiecenski stated that by the time the Board of Finance meets next, they anticipate having a final figure regarding the Grand List.

S. Summers inquired why the conveyance fees increased from \$30,000 in 2008 to over \$100,000 in the annual report. D. Latinsics replied that it was due to the sale of condominiums or an apartment complex. B. Wallett speculated that it might be related to the 0.25% of the sale of property that goes to the town.

B. Wallett stated that it's too early to know what to tell organizations but there is a lot of information unknown and the State could change their minds. Chairman Makuch suggested that instead of sending a specific percentage out, perhaps the letter should say "plan to carefully justify any increases." B. Wallett shared with new board members that it doesn't really matter what the letter says; organizations will come back with what they come back with. He continued that things aren't fine in the state and that nothing has been set in the state budget.

C. Mailhos inquired why the salary budgets are coming in using 2% as a proxy. Selectwoman Wiecenski clarified that it has been 2% for last 3 years in the budget. C. Mailhos noted that it's a negotiation year, so the letter should be worded so it doesn't sound like there is extra money, because there isn't.

R. Belair inquired whether remediation of foundations has had any impact on the assessor's collection of revenue. Chairman Makuch stated that there may be more houses that look for relief, but there are also houses being repaired and coming back on; the balance is currently unknown. Selectwoman Wiecenski replied that those numbers will be better known with the finalization of the Grand List.

Chairman Makuch summarized with without a forecast from the Town or the State, all budget submissions should expect to be reviewed carefully and defended. S. Summers suggested that if organizations request cost increases or new equipment that has an ancillary effect on payroll or staffing, that they present the cost-analysis; any requests for new spending that advertises a savings should show how they've arrived at those savings. R. Belair suggested asking organizations to clearly identify what percent of increases are nondiscretionary mandated and contractual increases.

Chairman Makuch concluded that no motion is necessary on this topic as it was for the purpose of consensus. The timeline of writing and sending the letter was discussed.

3) Updates on Revenue Projections in 2020 (Calendar Year as well as FY2021)

4) Expense Projections/Risks in 2020/2021

Both items covered in previous discussion.

OLD BUSINESS

1) Request Letter from Public Works

G. Prusak joined the meeting.

In the previous meeting regarding this topic, the board asked for clarification on three items before moving the decision to the town for a vote. Those items were: 1) when a payment would be due and in which fiscal year, 2) the total cost of the truck and annual payments including interest, and 3) from where the funds would be coming. Selectwoman Wiecenski clarified that although a truck purchase was in the Capital Improvement Program (CIP), it was not in Year 1 and therefore not approved or allocated for in this year or next year, as next year's budget is still in the process of being built.

T. Sposato clarified that the full cost of the truck is \$160,252. D. Latincsics stated that purchase could be done in this fiscal year or next fiscal year; the lease could be structured to be payment in arrears with the first payment 6 months after closing. She added that there is a little more interest that way but it can be done if you don't have the payment when you close. The difference in interest is unknown due to unknowns in interest rate and how much is being borrowed. C. Mailhos clarified that the increased interest is for the term of the loan, not just the first payment, and probably adds up to a substantial amount.

B. Wallett inquired why the town wouldn't just buy the truck. He stated that CIP is strained and being taken up by leases and that the auditor just presented that there is \$500,000 in extra income and \$100,000 less in expenses for FY 2018-2019 in the General Fund. He continued that the town can't go crazy spending that cushion because taxes are going up this year, but that \$160,000 going towards the truck purchase and saving money on interest payments seems smart. He concluded that leases are a good tool when you are short on cash or there is a problem but that the money in our bank is for these types of expenses. Timing of moving the request to the voters was discussed.

Chairman Makuch clarified that normally a purchase like this is figured into and comes out of CIP because it is a large capital purchase. Selectwoman Wiecenski agreed but stated that this specific request is so important that it can't wait for CIP. T. Sposato elaborated that Public Works had 2 out of 4 trucks break down last week and they were just lucky that there was no snow. S. Summers inquired whether, of the 8 pieces of equipment being requested in Year 1, this truck the biggest priority. T. Sposato confirmed it is, due to public safety.

The board inquired whether T. Sposato would be able to rent the truck for a month until the Town Meeting process has finished. The answer was no. R. Belair inquired what the ultimate cost of the lease would be, as interest rates are currently low. Selectwoman Wiecenski stated that the interest rate on the roadside mower purchased this summer was 2.56%. Using that number on a 7-year lease, C. Mailhos calculated that the interest payment would be close to \$30,000.

Chairman Makuch summarized that purchasing outright not only saves in interest and the impact on CIP but also takes care of solving the issue in the current fiscal year which the board knows to be a healthy fiscal year. Selectwoman Wiecenski added that the acquisition of the truck is faster when purchasing outright because it avoids the process of waiting for RFPs and debating the lease.

Chairman Makuch made a motion to recommend the Board of Selectmen call a Town Meeting to appropriate \$160,252.73 from the General Fund balance for the purchase of a new Freightliner 114SD – Plow Truck for the Department of Public Works. Steph Summers seconded the motion.

P. Tanaka inquired whether Public Works has a radio to install into it or whether they'll need to purchase an additional radio. T. Sposato replied that they are still waiting for the new radios, but will have one to put in it. G. Prusak inquired whether the truck can use a plow that the department already owns instead of purchasing a new plow. T. Sposato replied that they need to buy a new one; it will be universal and fit on other equipment that the department owns.

Vote: 6 Yes (M. Makuch, G. Prusak, B. Wallett, P. Tanaka, S. Summers, R. Belair), 0 No

2) Request for Funds to Repair the Roofs at Center and Hall Schools (Updates)

Superintendent Stevens stated that the Board of Education voted on Tuesday to spend \$16,900 to patch both roofs and a letter has been sent to the First Selectwoman's office to request a Town Meeting. He has returned to find out what feedback the Board of Finance has for the Board of Education in terms of what to recommend next, since they Board of Finance did not approve the Board of Education's original request at the November meeting.

B. Wallett recalled that he thought Superintendent Stevens was going to get prices for fully replacing the roof at Hall School with the additional cost of the plywood sheets that needed to be replaced in order to move forward. Chairman Makuch recalled that the conversation had included whether the state would allow the reimbursement application of that project while a new school building committee existed. Superintendent Stevens confirmed that he and Selectwoman Wiecenski asked about proration of paying back the reimbursement if a new school were built and were told by the approver and the director of the Department of Administrative Services (DAS) that the reimbursement is off the table with the existence of an active school building committee. He continued that the DAS employees recognize that the school building committee isn't anywhere close to a decision in the process, and that they mentioned that the completed oil tank project reimbursement probably wouldn't have been approved either if they had known a school building committee was being discussed. Superintendent Stevens said that there is nothing in writing that says the reimbursement won't be approved, but the person who approves the grant was the person with whom they were meeting.

Selectwoman Wiecenski suggested moving forward with the application. Chairman Makuch inquired what the next step would be to move forward with a roof replacement. Superintendent Stevens replied that it would go to Town Meeting to hire an architect and start to get paperwork moving. He added that it will be more expensive due to the time and extra administrative work it takes to complete the paperwork associated with the grant application.

B. Wallett inquired whether the town can submit for the grant reimbursement retroactively if the school consideration goes away. Superintendent Stevens replied no, because they don't want any work done on any project until they've given the okay. B. Wallett asked Superintendent Stevens

to continue gathering information on the associated costs to do the project. Superintendent Stevens stated that the town will have to put out a Request for Proposal (RFP) for an architect to do the design and project. He would need approval in writing from the Board of Education to send out an RFP.

B. Walleth inquired whether the amount allocated in CIP was to cover the anticipated \$400,000 non-grant portion or if it was the whole \$1,000,000. Superintendent Stevens replied that the full \$1,000,000 was in CIP and that this project can be completed on a rolling basis rather than having to wait until June to apply like some CIP projects. B. Walleth stated that that was great news, even though it's too bad the town won't get any back, as it means the project can be completed.

Superintendent Stevens clarified whether the board was recommending that the Board of Education move forward on a full roof replacement at Hall School during the upcoming summer. B. Walleth and P. Tanaka confirmed that that was their understanding. Discussion was held on the process of spending funds allocated in CIP.

S. Summers asked Superintendent Stevens whether the town covering the full expense of the project would result in some savings in terms of state-related engineering and designing and related administrative work that wouldn't need to be done. Superintendent Stevens replied that the state requires a complete tear-off for reimbursement and that the work an architect would do may be different if that wasn't required. It would still come with a warranty, but they may decide to treat it differently.

Chairman Makuch stated that he believes the right thing to do for the buildings is to replace the roofs and do a proper roof job because it is an investment in an asset that we have to protect. He continued that he is conflicted about moving forward on a project that taxpayers were told was one cost and now that the facts have changed, it'll be 2.5 times that cost. B. Walleth stated that you can't have water getting in a building and that patching doesn't stop it. He continued that wet wood quickly gets mildew and mold and that children and teachers shouldn't be exposed to that. C. Mailhos recalled a point from a previous meeting that even if the town gives the building back to the Hall Foundation in 10 years, the town are the stewards of the building right now and for the foreseeable future and should be taking care of it.

Superintendent Stevens concluded that the worst thing that happens is that the plans are completed, the town applies to the state and maybe doesn't get the grant approval, but still has the ability to move forward with the project. However, he believes the decision to spend \$1,000,000 rather than \$400,000 should come from town boards rather than the superintendent.

Chairman Mike Makuch made a motion to instruct the superintendent to continue with the process for full roof replacement at HMS and CES including pursuit of reimbursement. Barry Walleth seconded the motion.

Vote: 6 Yes (M. Makuch, G. Prusak, B. Walleth, P. Tanaka, S. Summers, R. Belair), 0 No

3) Annual Report for the Period of July 1, 2018 to June 30, 2019 is due.

- a. Awaiting reports from:

- i. Board of Assessment Appeals
- ii. Economic Development Commission
- iii. Inland Wetlands and Watercourses Commission
- iv. Library
- v. Planning and Zoning Commission
- vi. Zoning Board of Appeals

4) Accounting Software Update

Remains on the agenda because at the last regular meeting, it had not gone through Town Meeting yet. It was approved by voters. The strategy meeting will take place tomorrow to lay out a timeline. D. Latincsics is laying out a new chart of accounts that will be in sync with the Unified Chart of Accounts at the state. That project will take some time, but they are still aiming for a July 1 implementation. Item does not need to stay on the agenda.

5) Encumbrance Policy – Waiting Business Manager Availability

No new updates.

CORRESPONDENCE

No correspondence.

GOOD & WELFARE

Chairman Makuch extended welcome to Mike Perry.

P. Tanaka inquired how Diane Bulick is doing after minor surgery. Chairman Makuch added that he wished her a speedy recovery.

P. Tanaka stated that he had the opportunity to visit with Selectman John Blessington and updated the board on his health. He was doing well, but has experienced a setback and hopes to be released to a recovery facility soon. The board extended well wishes to Selectman Blessington.

Chairman Makuch instructed everyone to be careful and hoped no-one else gets hurt.

Peter Tanaka made a motion to adjourn the meeting at 8:32pm.

Randy Belair seconded the motion.

Vote: 6 Yes (M. Makuch, G. Prusak, B. Wallett, P. Tanaka, S. Summers, R. Belair), 0 No

Respectfully submitted,
Marysa Semprebon
Recording Secretary