

The Board of Finance held a regular meeting on March 17, 2010 in the Courtroom of Windham Town Hall, 979 Main Street, Willimantic, CT 06226

Members Attending: Barbara McGrath, Leo Santucci, Thomas DeVivo, Charles Pennewill, Anita Sebestyen

Chairman, Barbara McGrath called the meeting to order at 7:00 p.m.

Public Comment

Harry Carboni of Willimantic commented on the school budget and there has to be some accountability for losing money on services. There was an opportunity of privatizing the cafeteria services that could have saved some money and someone should look into this. He commented on the payment in lieu of taxes funds and feels the recommended approach from the payment in lieu of taxes study should be used. It is important to do this to help develop downtown. He also commented on Tim DeVivo purchasing property in Willimantic and asked Tom DeVivo to resign from the Board of Finance because there is too much of a conflict.

Lori Jeffers of Willimantic urged the Board to restore money to the veterans and also to the elections. Elections should not be held at the fire house and should go back to the schools. She commented on the school resource officer and the Willimantic Service District should not assume the cost for that. If the Board of Education cuts the funding for the school resource officer, the funding should be put in the General Government budget. There should be a \$50,000 cut to the paramedic budget. She also had a question on volunteer fire fighter tax breaks. If their tax break is greater than the amount they are paying in the Windham First Taxing District is that coming off the Town or school budget and are the people in Willimantic paying for that? She commented on the salaries for teachers and we cannot afford it with the Magnet School coming. Money will need to be put in the budget for legal fees. State money is being used to build a Town road. Is this fraudulent? She also questioned the First Taxing District being in the Town Charter. The Board is supposed to follow the Town Charter.

Jim Handfield of Windham commented on the public works overtime for lining the baseball fields. He would like to see the overtime end.

Approval of meeting minutes

Upon a motion by Thomas DeVivo , seconded by Leo Santucci to accept the meeting minutes from February 17, 2010.

The motion passed unanimously.

Presentation from CCR on 2008-2009 audit

Rob Howard and Michael VanDeventer from CCR presented the Board with a handout gave a presentation on the 2008-2009 audit. The scope of work and reports that were issued were reviewed. There was an audit of the financial statements as well as a federal single audit and a state single audit. The report on the financial statements was an unqualified clean opinion. The federal and state single audits issued two types of reports. The first report is on compliance and internal control at the Financial Statement Level. There was a report of material weakness in internal control over financial reporting and the reason for that was when there is a large amount of audit adjustments and significant changes are made it is indicative that there is a system weakness. The other item in the report was compliance with laws and regulations. There was a material instance of non compliance with the general fund that held investments in equity securities which is against Connecticut State Statutes. That was corrected during the year. The investment was liquidated and a new policy was implemented. Also issued were reports on compliance and internal control at the Federal and State Award level. There was a significant deficiency reported on internal control. We were complying but the systems were not as good as they could be. Immaterial instances of noncompliance suggest a weakness in the system. They recommend a centralized location of all compliance requirements. A compliance monitoring function is needed to make sure we are complying. Reports on compliance issued an unqualified clean opinion. But when there are instances of noncompliance no matter how big they need to be reported. We complied in all material respects but they found a few items that they are required to report. Overall there are system weaknesses to work on but we are materially in compliance with federal and state requirements.

Mike VanDeventer reported on the Government –wide Financial Statements, Governmental Fund Financial Statements, and the General Fund. The Government-wide Financial Statements include all assets and liabilities of the Town. This includes capital assets, infrastructure, building and land, and all related debt and other long term liabilities. On that basis the assets of the Town including its business type activities exceeded its liabilities by about 56 million at June 30, 2009. A significant portion of the 56 million is invested in capital assets. The unrestricted net assets which can be used to meet ongoing obligations totaled about 20 million of which 8.1 million are related to governmental activities and about 12 million relate to business-type activities. For the year, the Town’s total net assets increased by 2.3 million. That consisted of an increase in the business-type activities of about 3.4 million offset by a decrease in net assets for governmental activities of about 1 million. The decrease in the net assets of governmental activities was driven by the implementation of GASB Statement 45 which resulted in the Town recording a net Other Post Employment Benefits obligation of 1.8 million. GASB Statement 45 is a new pension reporting requirement that has to do with Other Post Employment Benefits which is when promises are made into the future or people terminate employment and the employer continues to pay for life insurance, health insurance, and disability insurance. The standards say you need to quantify that and measure and report the liability. There are no requirements to fund this. If we were to fund this, a trust would need to be created. The unfunded actuarial accrued liability totaled 26.1 million and that is a projection out into the future and then the actuarial

discounts it back to today. So the standard allows you to bring the liability in over thirty years. Every time you have a valuation, this number will change.

The governmental funds financial highlight includes the general fund, special revenue funds, and capital project funds. Looking from a financial measure the unreserved fund balance totaled about 9.2 million. The general fund is about 5.9 million. All the special revenue funds together totaled about 2.8 million. The capital project funds about 459,000. The total decrease in the governmental fund balance was about 1.4 million. This is preliminary relates from the utilization of proceeds received in prior years to fund current year capital outlays. A few of the funds have deficit fund balances and there should be a plan to fund these. The financial highlights for the general fund include looking at the Town side and Willimantic Service District side on a budgetary basis. On the Town side the final budget contemplated use of fund balance of 350,651. The actual use of fund balance was 263,276. This was a favorable variance of about 87,000 from actual expenditures being lower than budgeted. Also as a financial measure the ending fund balance of the general fund represented 9.7% of the actual 2009 expenditures. Rating agencies like to see this between ten and fifteen percent. On the Willimantic Service District side there was no use of fund balance for the 2009 budget. The actual increase in fund balance was 538,726. This was driven by higher than anticipated budgeted revenues and expenditures that were less than budgeted. Also as a financial measure the ending fund balance of the Willimantic Service District represented 9.4 % of the actual 2009 expenditures.

The management recommendations of communications of internal control related matters have a new matter of cash reconciliation on a timely basis. The bank reconciliations were done several months after year end. They should be done more timely after received. Another new matter is the reconciliation of the general ledger between the Town and Board of Education. The town has a control account for Board of Education expenditures. The Board of Education has a detail subsidiary ledger for expenditures and they should agree with the Town. They did not agree at year end. This reconciliation needs to be incorporated as a part of the year end close. The third matter is accounting and accordance with generally accepted accounting principles. There were many adjustments for booking receivables, payables, accruals, and other items. Use the modified accrual basis on all governmental funds and use the full accrual basis on the proprietary funds. Need to get training on closing the books using the appropriate basis of accounting. The fourth matter was an Information Technology auditor was involved with the audit. The recommendations were to put all IT policies and procedures in a written document. Information Technology security, access controls, backup procedures, penetration testing. They should be put in writing and documented so the policies are clear for everyone to follow.

Items from last year that were unresolved include fraud risk assessment process. There are a lot of decentralized departments and cash collection points. They recommend to periodically visiting the sites and monitor them.

Jeffrey Smith commented the burden on the finance department should not be taking minutes and it is more important to be doing accounting. We don't need that much detail in the minutes. He also commented the finance department doesn't exist in the charter.

Barbara McGrath commented after the budget meetings she would like to talk through all item listed to make sure we address them.

Thomas DeVivo commented on combining the two finance departments

Leo Santucci commented we need a plan and we need the plan set up. We have gone through a big transition and we are finally get a grip on things. In terms of the minutes, we have to have a careful balance and he does not agree with just the minimum information. The public needs to know what's going on and what we're doing.

Jeffrey Smith agrees but we will need to hire a recording secretary. He feels accountants should be doing accounting.

Discussion and possible action to appropriate \$161,493 for the construction of a pedestrian/bike path.

Joe Gardner, Town Engineer, commented this is a TCSP grant from the DOT. We have had this for three years and it will expire in September unless we spend it. It is 80% reimbursable.

Barbara McGrath questioned if we have identified where the 20% match will come from? Tom Pesce commented this will be an additional appropriation of the fund balance.

Jeff Smith questioned if this was budgeted this year?

Joe Gardner replied no it was not budgeted. We need to get the design done and get the project committed.

Thomas DeVivo commented this is a long time coming.

Upon a motion by Thomas DeVivo, seconded by Charles Pennewill to appropriate \$161,493 of which 80% will be reimbursed for the construction of a pedestrian/bike path and 20% to come from fund balance.

Jeffrey Smith commented he is in favor of this but he is not in favor of using fund balance. This should have been budgeted in the capital budget last year. For future reference if there is anything else like this, lets budget the full amount, show a receivable and show the net amount for the Town so we know this is coming and it is set in the budget. Otherwise the citizens don't know what we're doing.

Thomas DeVivo commented there have been several Town meetings about this project.

The motion passed unanimously.

Discussion and possible action to appropriate \$538,312 for the preliminary and final design of an Intermodal Transportation Center

Barbara McGrath commented this grant will be reimbursed 80% and 20% the Town needs to fund.

Joe Gardner commented this grant will expire in September unless we spend it.

Thomas DeVivo questioned if this was for the design of the garage?

Barbara McGrath replied this is for the preliminary and final design of the garage.

Jeffrey Smith questioned if any of the design was being done in house.

Joe Gardner commented no because this is a specialty design. A firm out of Boston Massachusetts has been hired. We are negotiating the first phase preliminary scope of services.

Jeffrey Smith questioned where we were funding the 20%?

Thomas Pesce commented the funding will be through fund balance.

Jeffrey Smith commented this needs to be in budgets.

Barbara commented this was cut out of this year's budget because we were looking to reduce the budget.

Upon a motion by Jeffrey Smith, seconded by Thomas DeVivo to appropriate \$538,312 for the preliminary and final design of an Intermodal Transportation Center of which 80% will be reimbursed and 20% will be appropriated from fund balance.

Barbara McGrath commented the Capital Improvement Planning Committee is suppose to be putting together a Capital Improvement Plan and making recommendations to put funding in the budget.

The motion passed with Leo Santucci abstaining.

Presentation of the 2010-2011 Board of Education Budget, General Government Budget, Willimantic Service District Budget, Ambulance Budget, and Capital Improvement Plan

Thomas Pesce presented the 2010-2011 Board of Education, General Government, Willimantic Service District, and Ambulance budgets. He also presented the Capital Improvement Plan.

The history of the budget so far is the Town Manager presented his budget to the Town Council on March 9, 2010. The Town Council made some adjustments to the Town Manager's recommendations. There were approximately \$60,000 in reductions by the Town Council and they added leaf collection back to the budget. On March 12, 2010 the

Board of Education's recommended budget was received. The total recommended budget for the Board of Education is \$42,469,897. In the Board of Education recommended budget there is an Education Cost Sharing adjustment of \$3,448,172. Education Cost Sharing in the current year has been reduced because of the funds going directly to the Board of Education.

Barbara McGrath commented the \$3,448,172 goes directly to the Board of Education instead of the Town receiving it. Normally the Town receives the Education Cost Sharing money.

Tom Pesce commented the \$3,448,172 is federal stimulus money that is sent directly to the Board of Education. In the revenues for the 2010-2011 budget the \$3,448,172 has been reduced from the Education Cost Sharing revenue line.

Jeffrey Smith questioned how long do we have to adopt the budgets?

Barbara McGrath commented on Monday April 12, 2010 we need to submit a legal notice to the Chronicle for the public hearing on April 20, 2010. Between now and April 12, 2010 we have to finish the budgets. The Annual Budget Town Meeting will be on May 4, 2010 per the Town Charter. She would like to plan to meet for the next three Wednesdays to discuss the budgets.

Jeffrey Smith suggested going to a public hearing first and then making decisions. Barbara McGrath commented the public needs to know the initial recommendations on the budget.

Jeffrey Smith commented we should have a public hearing with budget adopted by the Town Council to hear what the public has to say. Changes can be made after the public hearing.

Barbara McGrath commented there will be a presentation by the Board of Education on their budget on March 31, 2010.

Jeffrey Smith commented he broke the budget up into five pieces to discuss. The discussions can be about the revenues, Town expenditures, Willimantic Service District revenues and expenditures, Ambulance Fund, and Board of Education

Discussion and possible action on the 2010-2011 Board of Education Budget

Upon a motion by Thomas DeVivo, seconded by Charles Pennewill to discuss the 2010-2011 Board of Education budget on March 31, 2010.

The motion passed unanimously.

No action was taken on the budget.

Discussion and possible action on the 2010-2011 General Government Budget

Upon a motion by Thomas DeVivo, seconded by Charles Pennewill to discuss the 2010-2011 General Government budget on March 24, 2010

The motion passed unanimously.

No action was taken on the budget.

Discussion and possible action on the 2010-2011 Willimantic Service District Budget

Upon a motion by Thomas DeVivo, seconded by Anita Sebestyen to discuss the 2010-2011 Willimantic Service District budget on April 1, 2010.

The motion passed unanimously.

No action was taken on the budget.

Discussion and possible action on the 2010-2011 Ambulance Budget

Upon a motion by Thomas DeVivo, seconded by Anita Sebestyen to discuss the 2010-2011 Ambulance budget on April 1, 2010.

The motion passed unanimously.

No action was taken on the budget.

Upon a motion by Thomas DeVivo, seconded by Charles Pennewill to schedule a meeting for discussion and possible action on all 2010-2011 budgets on April 7, 2010.

The motion passed unanimously.

Report from the Capital Improvement Planning Committee

Barbara McGrath commented the Capital Improvement Planning Committee has not met in a while but is scheduled to meet tomorrow, March 18, 2010.

A report will be given at the next meeting on March 24, 2010.

Jeffrey Smith questioned if there is a five year plan.

Barbara McGrath replied yes there is and it was last reviewed/updated in June 2009.

The committee will revisit the Capital Improvement Plan to determine which items on the plan have been completed, if there are any items that are no longer required, and should there be a shift in the priority and category. As money may become available from a

variety of sources, an item that had a lower priority may move up in priority because now we are in a position to fund the project.

Leo Santucci stated we are in violation of the Charter by having members of the Board of Finance on the Capital Improvement Planning Committee.

Barbara McGrath commented there was a memo written to explain whether an elected member of the Board of Finance may serve on an appointive committee created by resolution of the Town Council. Her interpretation on the memo is yes and we will need to check to see if the Capital Improvement Planning Committee was created by resolution.

Leo Santucci questioned if our revenue stream is running on schedule? How much is likely to be uncollectible?

Tom Pesce commented he has reviewed the revenues with the tax collector and we are on schedule to make the budgeted amount. He did not have an uncollectible amount.

Discussion and possible action to approve a resolution to fund various capital improvements

Tom Pesce commented the resolution is for the appropriation of \$3,750,000 for a road and sidewalk project.

Upon a motion by Thomas DeVivo, seconded by Jeffrey Smith to postpone any action to approve a resolution to fund various capital improvements.

The motion passed unanimously.

Town Controller's Report

Town Controller's report was presented by Tom Pesce.

The current year revenues and expenditures were reviewed. The tax collection revenues are on schedule.

The ECS money that will be going directly to the Board of Education has been reflected in the revenues. This will show a shortfall in revenues and a favorable variance on the expenditure side.

The expenditures on the Town side are more of a concern than on the Willimantic Service District side. There are a few minor transfers on the General Government side for later.

The Kramer Building Committee meeting schedule for tomorrow has been postponed. One of the goals for the committee is to work on the fee for the use of the Kramer Building for the Board of Education.

One of the big items in the Board of Education and Town budget for next year is the cost of medical insurance. The Board of Education has a 19% increase in their budget. The Town has a 10% increase in the budget. In talking with the agent, the cost will hopefully come in lower than the 20%. Both the Board of Education and Town are going self insured for dental insurance on May 1, 2010.

We are also talking with the insurance agent on rates for the Town's liability, auto, property, and workers compensation insurance.

Jeffrey Smith questioned who are the agents for the Town?

Tom Pesce replied Lockton is the agent for medical insurance, H.D. Segur is the property and casualty insurance agent, and CIRMA is the agent for workers compensation.

Barbara McGrath questioned the overage in the payroll line item for public works. Tom Pesce replied an adjustment will be needed. This will be funded through the cemetery fund.

The train derailment costs will be reimbursed through the railroad's insurance company.

Barbara McGrath questioned if there were any issues in the Willimantic Service District. Tom Pesce replied not at this time.

Discussion and possible action on any General Government 2009-2010 budget transfer requests

Upon a motion by Jeffrey Smith, seconded by Leo Santucci to accept the following transfers:

- \$4,500 from 50706-283 Town Contingency to 50307-266 Service Contracts
- \$ 240 from 50706-283 Town Contingency to 50313-221 Advertising & Publications
- \$ 50 from 50109-221 Advertising & Publications to 50108-2214 Advertising & Publications

The motion passed unanimously.

Discussion and possible action on any Willimantic Service District 2009-2010 budget transfer requests

There were no budget transfer requests.

Discussion and possible appointment of Board member to Capital Improvement Planning Committee

Upon a motion by Jeffrey Smith, seconded by Leo Santucci to appoint Thomas DeVivo to the Capital Improvement Planning Committee.

The motion passed with Thomas DeVivo abstaining.

Thomas DeVivo commented it is a good committee on long term planning for the community.

Barbara McGrath commented the Capital Improvement Plan has many projects listed on it.

Discussion and possible action on scheduling budget meetings and public hearing

The budget meetings have been scheduled for March 24, 2010, March 31, 2010, April 1, 2010, and April 7, 2010.

The public hearing will be schedule at a later meeting.

Any other business appropriate to come before the BOF

Tom Pesce presented information from Hooker & Holcome on Other Post Employment Benefits and GASB 45. The Board can review the information and ask any questions at the next meeting.

Jeffrey Smith questioned if this will be done every year?

Tom Pesce replied it will probably be done every two years.

Jeffrey Smith asked what was the cost for the report?

Tom Pesce replied \$10,000 to \$12,000.

Barbara McGrath commented it appears we need to look into additional part-time or contract services in the Finance Department that will address some of the issues listed in the audit. She asked Tom Pesce to make a presentation with recommendations of what is needed. It is clear that there is work that needs to be done and especially if we are going to put the audit out to bid this year.

Jeffrey Smith objected to bidding out the audit services. It is an expensive process to the Finance Department to retrain a set of auditors. The savings from new auditors will cost the staff and the Town a lot of money.

Charles Pennewill commented there are potential savings and you don't know what they are until you go out to bid.

Jeffrey Smith commented you can find out the cost by talking with other Towns.

Jeffrey Smith recommended hiring a recording secretary for the Board and also recommended doing transfers quarterly instead of monthly.

Barbara McGrath commented the transfers are more streamline this year than in previous years.

Charles Pennewill commented on the committee meeting for the Charter School. Their study showed there is no need for an additional turn for the school busses. With the traffic study that is being done, if it comes back and says for the safety of the school buses an additional turn is needed, the Town will be responsible and how do we adjust or plan for this?

Barbara McGrath commented the traffic study has already been done. Any construction happening offsite will be the cost of the Town. The cost would not have to be included in

next year's budget due to the construction timing. The cost would probably have to be paid for with bonding.

Public Comment

Teri Santucci of Willimantic commented on public hearings. You can have more than one public hearing on the budget and you can have a public hearing thirty minutes or an hour before a meeting.

Joe Marsalisi of Willimantic commented on Payment In Lieu of Taxes. Reducing Payment in Lieu of Taxes could reduce the amount received by the State.

Lori Jeffers of Willimantic commented about being on the Charter Revision Commission and an attorney told the commission the First Taxing District could be eliminated. The First Taxing District was not eliminated and the Charter that is now in effect says the Town Manager and three counselors from the Windham Service District are suppose to work on the annual budget and it is suppose to be going to the Board of Finance. The Board needs to find out why this has not happened.

Thomas DeVivo of Willimantic commented about his first meeting on the Board of Finance and reporting a potential conflict to the Ethics Commission. He has finally been able to disclose a potential conflict with Willimantic Waste Paper, the Town of Windham, and himself to the Ethics Commission. The delay was because he was not able to get on their agenda unless it is a special meeting and they don't hold special meetings. They also won't add anything to their agenda. He finally spoke under citizens and delegations at the ethics commission meeting. There is a rule if you have a potential conflict you have to go to the Ethics Commission and yet you cannot get on the agenda.

Upon a motion by Thomas DeVivo, seconded by Charles Pennewill, the meeting was adjourned at 9:25 p.m.

Attest: _____
Karen Williams, Clerk