

**Minutes**  
**Town Council Finance Committee Meeting**  
**January 11, 2016**  
**Town Hall Conference Room B**

1. The meeting was called to order at 7:00 PM. Chairman Matthew O'Brien welcomed the auditors, Board of Education and other guests.

**Present:** Julie Blanchard, Andy Brodersen, Hannah Pietrantonio, Matthew O'Brien

**Also present:** John Elssesser, Town Manager; Beth Bauer, Finance Director; Gerry Paradis, Blum Shapiro; Robert Carroll, School Business Manager; Noel Waite, Fire Administrator; Dennis Dittrich, CVFA; Ray Eldridge, NCVFD; Bud Meyers, NCVFD; Chuck Beecher, NCFVD; Mary Kortmann, Board of Education; Jennifer Beausoleil, Board of Education; Tim Timberman, Library Expansion Building Committee

2. **Presentation of Audit:**

Beth Bauer introduced Gerry Paradis, supervising partner on the audit with Blum Shapiro. Mr. Paradis provided an overview of the components of the FY 2014/2015 audit:

- A. There are three reports and a letter. The letter is part of the professional standards; certain communications with the Council are required. It talks about certain aspects of the audit and whether there were any difficulties or disagreements or other matters to bring to attention. There was nothing out of the ordinary.
- B. The three reports are as follows: the State and Federal single audits and the Comprehensive Annual Financial Report. We are required to audit State and Federal programs separately using two sets of rules. The reports contain the results. Audit standards require if problems are found that represent significant deficiencies or material weaknesses that they be put in writing. There were none this year.
- C. On the State report, pages 4-6 contain a list of programs that are State funded and expenditures incurred related to each. Page 10 is a list of programs we tested: Town Aid to Roads, LoCIP and School Readiness/Child Care. Both the State and Federal government have different criteria for how to choose programs and not all get tested. The programs tested comply with requirements. Page 6 identifies programs exempt from testing. Out of \$10.6 million \$9.6 were exempt.
- D. On the Federal side, pages 4-5 list Federal programs with expenditures at a little over \$2 million. We tested the highway planning and construction grant which was about half of the total Federal expenditures last year. There were no compliance issues or internal control problems with grant programs. John Elssesser noted this program was for Pucker Street Bridge.
- E. The Finance Department puts together some sections: the transmittal, MDA, statistics, and information for footnotes.
- F. We did have a standard change this year. We have issued an unqualified opinion on page one. Various opinion units are incorporated in the report - all are unqualified. On page two you can see the change in standards on pension. Page 13 exhibit I shows the change on net position. It does not impact the general fund or any other fund statements. On page 51 you can see that previously the net position balance on 6/30/14 was \$110,677,554 and because of the change in standard we took out the old net pension asset and inserted the starting pension liability, so the new net position is \$108,773,249. You will also see on page 14 the net position at the beginning of the year as restated. Relatively speaking that is not a big change from some audits we have done this year. Where pension liabilities are significant this had a more significant impact on position 1.
- G. Exhibit II shows revenues and expenditures that go along with net position.

- H. Fund statements begin on exhibit III page 15. There was no change in any of the governmental funds. There is nothing of particular note in terms of fund exhibits at this point. There are no significant deficits.
- I. Statements on pages 19-21 are for health insurance and dental. The pension trust fund is shown on pages 22 and 23. There are \$12.6 million in assets in the trust fund. On page 23 you can see that net assets went down by about \$365,000.
- J. As you look at some of the statistical information, particularly the weighted weight of return, you will see significant differences that the stock market had to do with.
- K. Page 34 provides some fund balance information. With GASB 54 a couple years ago it went from three pretty simple categories to five. The terms are defined earlier on page 29. Certain parts of fund balances are prepaid and can't be spent so they are part of the non-spendable category. Restricted means there is a limit like a grant. Committed is something that is identified locally like setting up a fund for a particular purpose. Assigned is for items like purchase orders. Unassigned is the general fund.
- L. Debt disclosures - Page 38. If you compare pension disclosures from last year to this they are significantly different. GASB 68 had a whole set of requirements to go along with reporting. They are outlined on pages 40-42. At the bottom of page 40 the key number is the net pension liability. This is the total pension liability on an actuarial basis less the assets you have in your plan. On Exhibit IX, page 22, you can see assets that are reported, leaving a net pension liability of \$1,937,000. You can see a percentage on the table on page 40 that shows the plan is 86.68% funded - that is pretty good. Anything over 80% is considered good.
- M. Page 43 has lot of new disclosures related to the teachers' pension fund. The Town has no liabilities. The State makes the payment on our behalf. We are required to show the portion of the State's liability that relates to our teachers. This is shown on page 45 under the first paragraph, in the amount of \$31,555,211. All of these disclosures follow and are extracted from the State teacher pension retirement statements.
- N. Other Post Employment Benefits are shown on page 47. There is nothing new here. We are anticipating in a couple years that the same thing will be done, i.e. moving liability to entity-wide statements.
- O. Page 60 shows the general fund comparative balance sheet. Here the most notable thing you can compare is Unassigned last year to this year. It is up about \$57,000 and is pretty stable.
- P. The next page is tax collections. This shows 98.2% on the current year list which is a fairly strong collection rate.
- Q. The rest of the report goes into some schedules of other funds and a statistical section put together by the Finance Department. There is a lot of information on the 10-year tables which allows you to look at trends and possibly use to predict the future.

Mr. Paradis opened the presentation up to questions. There were none. Matthew O'Brien said he went through the audit and got some information he didn't know before. The fact that it is unqualified and the Town is doing a good job again is wonderful.

John Elsesser noted that our multi-year agreement is up so if you want Blum Shapiro to submit a multi-year agreement proposal it would be up to the Council. Matthew said it sounds like a good idea. John said it is always easiest for us to stay with the same firm. The people who do the field work already have a lot of their worksheets developed. We have no reason to recommend changing other than the possible benefit of a fresh set of eyes. Beth Bauer said we did a two year agreement last time and this is the second year. Matthew asked if the rates get better with a 3 year agreement. Mr. Paradis said yes. Matthew said he would like to review a 2 and 3 year agreement. The Committee thanked Mr. Paradis for his presentation.

6. **Fire Truck Replacement/Refurbishment:**

Matthew O'Brien changed the order of the agenda to accommodate representatives from the Fire Truck Committee for a discussion of fire truck needs.

Noel Waite recapped a statement outlining the Town's current firefighting capacity and recommended action, which was included in the agenda packet. Engine Tankers have 1000 gallons and we have four. An average fire with 75 lbs. of pressure flow provides about 6 minutes of water. We are lucky to have 3 fire fighters during the day. All total we have about 10 minutes of water, which is not a lot. We have Mutual Aid; they arrive fairly quickly in about 12-15 minutes but it is not uncommon for us to have lack of water on fire scenes. Our proposal is to replace an engine tanker with a 3,000 gal tanker that has all the capabilities of engine tanker but has more water. This increases our water capacity by 2,000 gallons. It doesn't have all the equipment of an ET but is sufficient. It also comes with a 3,000 gal drop tank – this would allow us to drop a supply of water and shuttle back and forth to the water supply. The drop tank provides constant flow of water – it is essentially a portable pond. In the first year we would like to purchase a new tanker to replace one of the older ETs. We would also look at purchasing a used Quint. This is the same as an engine tanker but has an aerial apparatus. It is safer for chimney fires and high water applications, i.e. mill fires. The Town said no to a new Quint. We feel confident we can get a good used one in the 2006-2008 range to give us 10-12 years before needing replacement or refurbishments. One of the ETs will be sold right away – we will evaluate which one. We would like to keep the second one as a reserve truck so if something were to happen to one of the others this one could be brought back into service while the other is out for repair.

Matthew O'Brien said he is inclined to endorse this but wanted to open a discussion. Andy Brodersen asked what they think we will get for the vehicle we will sell. Noel Waite replied it depends where it goes. We would be lucky to get \$5,000. When we sold the '71 ET Mack it went overseas for \$2,000. John Elsesser noted it was older and had a manual transmission. Noel said it is possible we might be able to sell it to a company up north or down south for up to \$10,000. John said we should be thinking \$10,000, not \$30,000. Aside from it being old, we think it is in relatively good shape. It has never been refurbished. The pump could go, etc. Hannah Pietrantonio said there was some recent correspondence about leasing. John replied that lease purchase is one option. We are heading into budget so if the Council moves forward with this recommendation we could look at it. This would be a lease with a non-appropriation clause. Matthew said this will have implications on budget so he would like to have the Finance Committee endorse this and have the Council deal with it during the budget process. **Andy Brodersen moved to recommend to the Town Council that we go forward with the purchase of two fire trucks as recommended by the Fire Committee and to develop financing options through the budget process. The motion was seconded by Hannah Pietrantonio and carried on unanimous vote.** John Elsesser said it would be helpful if both fire associations speak in favor of this at budget time. Noel Waite said this decision is a help for him because he knows which avenue to research and can sharpen his pen for negotiation.

3. **Acceptance of Minutes:** Andy Brodersen moved that the Finance Committee accept the minutes from the meeting of December 14, 2015. Hannah Pietrantonio seconded the motion. The following correction was requested:

- A. Page 4, item #9, 4th line from bottom: Change motion to indicate that the Finance Committee recommends that the Town Council recommend that the Board of Education request we establish a building committee to oversee the evaluation of structural issues at Coventry High School/Capt. Nathan Hale Middle School.

Hannah Pietrantonio had a question on page 3 regarding the financial reports from the Board of Education, where Matthew O'Brien said we have received some new reports and he hopes that will continue. Matthew replied there were more narratives included with the monthly financial reports. Last time the reports were up to date. John Elsesser replied that the Board Fiscal Committee's 2016 meeting schedule has their monthly meeting after ours so we will get reports later. Matthew said based on that schedule we will get December's reports in February. We have asked that they embed their reports in their online agenda packets but we haven't seen that yet.

The motion to approve the minutes of December 14, 2015 as corrected carried on unanimous vote.

#### 4. Reports:

**A. Chairman – Matthew O'Brien: Deferred until later in meeting.**

**B. Committee members: none.**

**C. Finance Director – Beth Bauer:** There is an item later on the agenda concerning actions taken at the State. State revenue as of this point in time will be reduced by \$62,647. This includes the original reduction in ECS and school transportation. Conveyance and building department revenue continue to be strong and should offset this loss so year-end will be on target.

Property tax revenue for December is slightly behind last year's percentage. This seems to happen every other year because the cycle switches. We are not sure why. It is not something to be concerned about until we get to the end of collection period, which is February 1.

Expenditures: areas of concern remain. There is nothing to add at this point. Matthew O'Brien asked if we are doing emergency repairs that were authorized from the Council's boiler money if that is reflected in this statement. John Elsesser replied these are repairs beyond that. This is original construction from the 1960s. Last week was bad - we keep losing pumps, etc. The system definitely needs to be replaced. We started the EMME ductwork today.

Beth Bauer provided an update on the tax sale. We are down to 19 properties. We do not yet have a definitive date for the sale. The attorney that manages the process runs through a series of steps beginning with title searches, continued collection efforts, etc. We will see where we end up but in the past by the time we get to the tax sale there are usually very few properties left.

Recreation fund: Several years ago there were two funds, Recreation and Patriots Park. They were combined several years ago in an effort to reduce the number of funds we have out there. We decided we needed to separate them back out for tracking purposes. It is one fund for purposes of the audit but we will be tracking with two separate fund designations in the general ledger. This will give us more definitive ability to track funds. John Elsesser said that money generated in the park is supposed to stay in the park so this allows us to ensure that revenue from parking fees and beach stickers goes back into the park. Matthew O'Brien asked if there is there a reason why revenues are lower. Beth replied it is subject to the whims of registrations. John noted that one Zumba class instructor who was popular left the area so revenues dropped off. It is complicated because you have to look at when revenues come in, i.e. revenue for summer camp program. In general recreation funds are stressed, partly because we have been funding almost all park maintenance out of these funds and really can't support it. Matthew asked who controls what they request for revenues. John replied it is part of the budget process. They are looking at ways to reduce expenses, like changing to a credit

card company with lower merchant fees, etc. Matthew asked if a previous Council had determined they must be self-sustaining. John replied it was not a conscious directive; it was his attempt not to burden taxpayers.

Beth included information about public act 13-60 which the State passed a couple years ago. This act indicates the Town Council shall make spending recommendations and suggestions to the Board of Education. We are bringing this up now because it should happen by the next meeting. It is tied to the time they bring their budget in but is not tied to their budget request. John noted it is a very short timeframe. Generally we are supposed to get their budget at the end of February but we usually get it a little sooner. Beth said State law says the Council shall make a recommendation for consolidation of non-educational services and suggestions for realizing financial efficiencies. We don't think we've ever done anything since it came into being. This is the third year. The question is whether you want to do anything. It is a suggestion only. The Board can take it under advisement. Matthew noted that Julie Blanchard had discussed maintenance. John replied it would be more expensive if we did it because Public Works is higher than their maintenance. It would need to be done through the union. We don't supervise for these items now, i.e. floor buffing, etc. They have 10 times more square footage than we do and we usually outsource. Also we can't simply give away collective bargaining work. CT Labor Law prevents it as unfair labor practice. In terms of the non-academic portion there are things we can continue to investigate, i.e. VOIP. We have been working on IT issues together – we have quarterly meetings to look at long-range things like fiber, VOIP, etc. Beth also meets monthly directly with their IT staff - we share a network. Matthew asked whether service contracts are shared. John replied no but it could be looked at. We usually go on the State bid. Beth is exploring a new way for our printers to be managed. Beth said we got a proposal from a company that wants to treat our printers like they are copiers. They would charge us a per-copy price and our printers would be serviced by them. They would provide all maintenance, ink, toner, etc. We are looking at it as a potential cost savings. They have installed something on our network that is counting the number of copies and are saying they can save us money. We have not been able to get any references demonstrating they are doing this. We have worked with them in the past but weren't thrilled with their service – instead of performing maintenance they pressured us to upgrade equipment.

Matthew asked if there are any opportunities in purchasing or finance. John said for purchasing we serve as the lead for oil and diesel – and closely coordinate with them. We just locked in for oil on Friday. This gave them some certainty for their budget. Another thing on our list is to take the lead on propane. We haven't had time to evaluate it. Beth said we also collaborate on health insurance. John noted that has been very successful. Beth noted the Town by itself is too small. John said we also do life insurance and property casualty. We do outside maintenance for them free of charge. They fund some supplies, i.e. clay for infields, etc. Matthew asked about Internet. John replied we were combined. We were riding free through CEN until last year. We had to split off on our own last year. It is cheaper for the State to run it through our building down to the Library and to the Board of Education building. We are in the same CEN network as them. They get it free; we have to pay. We go out to bid together for computer purchases through the ICE grant. Beth said we don't do cooperative purchasing for computers otherwise. They get an educational discount that we don't qualify for.

John said the other big thing is financial. There would be transitional issues to move to the same system with combined staff. They also do HR benefit work that we don't have. It wouldn't hurt to discuss. One issue is if they ever have to upgrade their computer system it

would be good to have a dialogue before either of us does a major capital expense. The last time they had to change fairly suddenly. Matthew asked how we would convey our interest in this approach. John replied this Act might be a way. Over the next three years there is going to be a big movement - CRCOG is starting to go down this path - that a lot of these systems won't be hosted locally. We would work off a larger system. CEN is very secure. It is direct point-to-point fiber. In Texas one of the counties there runs a very sophisticated EDP center - all pre-bid, add-on modules. It reduces hardware issues. We are doing something similar for building permits. Matthew said if John or Beth has any recommendations he would appreciate hearing them.

- D. **Review/Discussion - Financial reports:** Matthew O'Brien said he would like to see the reports show the percentage remaining for the fiscal year. John noted there might be a cost impact to change the report format. Matthew said he doesn't want to do it if we have to pay. Beth will put a request in and advise.

Questions: on page 1 of the CouncilOBJ report, Matthew O'Brien noted under grants and contributions it says we are at 412% and negative \$320,000. Beth Bauer replied that is the Library. We don't budget to line items. When we make the payment they return actual expenditures to us quarterly. By the end of year the items catch up. John said that is a point the Finance Committee could make to Steering - that we do their bills. John also noted that with the mild weather we are doing very well on the snow removal budget.

- E. **Supplemental Appropriation Status:** This report has not changed. Hannah Pietrantonio noted the additional dues for WRTD and asked if they will present again. It seems to her that we should revisit that. John said we will see it as part of the budget process. Hannah asked if we are going to look at providing our own service. John said we have done a preliminary evaluation - we would need a new van so it is not cost-effective at this time. We would like to see if they can get their ducks in a row before we depart. Hannah said it would be nice if we could transport to Manchester. John said we can't do that per State regulations. Hannah asked if they would be asking for the same amount. John said we just got a request but he hasn't compared it to last year yet.
5. **Board of Education – Request for supplemental appropriation – tuition:** Matthew O'Brien asked if we got the complete report. Julie Blanchard said she got an answer on that from Bill Oros. He said per State law they had to cut off that column. John said if there are student names then they can't show them. Julie said they are not and the answer didn't make sense. Beth said the explanation given to her is that because you have one student, if you know the institution you can figure out who the student is. Matthew said he would at least like to get totals. John said that Julie Blanchard would need to make this request. There would be ways to say "Institution A" on the report. Matthew said he is disappointed with what we've been getting for information but at this point we need to go ahead. It is important the Board of Education gets compensated for any out-of-pocket expenses they have incurred. Matthew O'Brien moved to recommend that the Town Council authorize an increase in the Board of Education's appropriation for the two students outlined in the request we have now. Hannah Pietrantonio seconded the motion. Hannah said she is still concerned the Board of Education won't be getting what they need. Matthew replied that this is the best we can do with the information we have received. The motion carried on unanimous vote.
7. **Senior Tax Abatements:** Matthew O'Brien said he knows that the Town Manager is still investigating the number of households that would be impacted if we were to implement a tax abatement for seniors. He would like to evaluate it financially for homeowners at both 25 and 30 years of residency, and get some idea of impact on future budgets. Beth Bauer said we looked at 30

years and estimated the number of households to be 486. That doesn't mean they are 65 and older, but you can assume that is the case if you have owned property here for 30 years. John said we will do 25 years, but we need a little time to concentrate on budget. We are having trouble getting work done with all the various requests. Beth said all of these properties are 8.3 percent of the grand list. We can use that to calculate. Last year's budget would be a tax loss of \$60,000. John said we would need a little more time to evaluate future impact but a quick look over 30 years was \$1.2 million. Beth said a lot of the questions would need to be refined. John said some legal questions would need to be refined too. An independent committee would need to be created to look at the tax impact and what happens in revaluation. Andy Brodersen asked what happens if they make property improvements. Matthew said he has questions about home offices too. John said there are also issues of living trusts. Maybe when budget is further along we can have a better model. There are also issues of processing each application. We did a rough estimate of 135 staff hours. There are also other questions regarding unequal protections if we do it by age rather than income like the State program. And if we do long-term residency there could be an issue of discrimination. Matthew said not to do a lot of work until we can get some refinement. John said we will do an issues list for review.

8. **Consideration of Request – Library Expansion Building Committee:** Matthew O'Brien said from a financial standpoint he would like to do an analysis to look at different funding scenarios at different levels. He proposes \$6 million, \$5 million and \$4 million, incorporating grant levels of \$1.5 mil. He would also like to break out non-durable items in the proposal and propose alternative methods of funding, i.e. computers that are only going to last 3 years. He also wanted to ask about other areas of funding in John's opinion. John replied he doesn't think the site work is conservatively estimated, i.e. borings etc. The Building Committee meets next week and we could discuss what it would take to fine-tune some of these numbers. They spent a lot of time on the building so he doesn't think there is a lot of room there. We might be able to look at the method of construction, i.e. by using a design-build approach we might be able to reduce the fee structure. He talked to one firm who thought they might be able to reduce it.

4. **Reports, cont.**

**A. Chairman's report – Matthew O'Brien:** Matthew distributed a document for the Committee's review and suggested we forward it to the Council for consideration. It makes requests of the Board of Education for information the Council would like to receive prior to budget deliberations for FY 2016-17. Andy Brodersen said he would think we would get most of this information anyway and would need it to do due diligence. Andy Brodersen moved to recommend that the Town Council request information from the Board of Education prior to 2016-17 budget deliberations as outlined in the document attached to these minutes. The Motion was seconded by Hannah Pietrantonio and carried on unanimous vote. Julie Blanchard will add it to the next Council agenda as a new business item.

10. **Adjournment:**

The meeting was adjourned at 9:03 PM on a motion by Andy Brodersen, seconded by Hannah Pietrantonio and unanimously approved.

Respectfully submitted,

Laura Stone  
Town Council Clerk

Item 4A

# ATTACHMENT

Chairperson's report

In anticipation of and in preparation for the upcoming budget meetings with the Board of Education we respectfully forward our request for information that we will need in order to fulfill our responsibility to the taxpayers and enable us to make a reasoned decision on the Board of Education's budget appropriation for the upcoming 2016-17.

We are certain that all or most of the information we are requesting will be a part of the information/discussion that the Board itself will be considering as they prepare their budget request and should not create any undue burden.

We request that information be forwarded as it becomes available. Please don't wait to try and forward all of the information at the same time. We appreciate your help in making our budget deliberations substantive and successful and are looking forward to meeting with you in March.

## **Request For Information Related to the 2016 - 2017 Board of Education Budget Appropriation**

Form ED001/C/R End of Year School Report (2 years) 2015 and 2014

Form ED001/C/R Audit End of Year School Report (2 years) 2015 and 2014

Up to date management reports (the ones we receive are typically 2 months old)

Student census as of June 30 (3 years) June 2015, June 2014, and June 2013

Student census as of October 1 (3 years) October 2015, October 2014, and October 2013

Projected census for 2016-2017

Class size data for grades K - 8 (3 years) 2015-2016, 2014-2015, 2013-2014

Number of Students in grades 9, 10, 11 and 12 (3 years) 2015-2016, 2014-2015, 2013-2014

Break out of all special education expenditures (current school year and projected 2016-2017)

Break out of all general education expenditures (current school year and projected 2016-2017)

Breakdown of staff by all categories (current school year and projected 2016-2017) - administrators, support staff, teachers, para-professionals, maintenance, finance, etc.

Separate breakdown of staff for special education and staff for general education (for example: # of teachers for special education and # teachers for general education; # para-professionals for special education and # of para-professionals for general education; etc. This does not need to include administrators or staff that serve all students.

Details of retirements since June 30, 2015 and projected impacts on your budget in 2015-2016 and in 2016-2017. For example if the position was/will be replaced with a candidate at a higher salary than the retiring person who previously held that position then that would result in an increase in that line item (with no regard to contractual increases) in the budget ((and possibly in other benefit related line items). If the position was/will be replaced at a lower salary then that would result in a decrease in that line item and related line items going forward. If the position will not be filled going forward that would result in a decrease in the related line items.

Details of any proposed new programs/projects.

Details of any programs/projects that will be/ or have been ended as of June 30, 2016.

Details of any substantial one - time expenditures or any multi-year purchasing plans that are in the 2015-2016 and that are not planned to be included in the 2016-2017 budget

Breakout of maintenance and contracted services - actual and planned for 2015-2016 and projected for 2016-2017

Please detail any substantial changes in revenues anticipated in 2016-2017 (other than from the Coventry budget appropriation). Have governmental revenue sources formulas been changed? Have any such sources been eliminated by for example changes in the Connecticut State budget going forward, etc? Please provide a description of grants (current year and projected for 2016-2017)

Details of IT costs and plans (for 2014-2015, 2015-2016 and projected for 2016-2017) - to include hardware and software expenses, ongoing or planned maintenance agreements, training, licensing, etc.

Projected impacts of contractual agreements that will impact your 2016-2017 budget request - including salaries, health insurance, pensions, other benefits

Projected changes in health insurance costs for the district

Projected changes in pension costs for the district

Projected changes in social security for the district

Projected changes in all other benefits for the district

Details of any ongoing or proposed cost saving initiatives

Details of ongoing or proposed capital projects

