

## Minutes

### Joint Meeting with Coventry Board of Education Fiscal Committee & Town Council Finance Committee February 13, 2023

7:00 PM

#### Town Hall Conference Rm. B and Virtual meeting

#### 1. Joint Meeting With Board Of Education Fiscal Committee:

##### 1.A.Call To Order, Roll Call:

The Meeting was called to order at 7:02 PM by Finance Committee Chair Robyn Gallagher

Finance Committee Members Present: Robyn Gallagher, Marty Milkovic, Julie Blanchard, Lisa Thomas (Council Chairwoman & Ex-Officio Member)

Board of Education Fiscal Committee Members Present: Mary Kortmann, Jennifer Beausoleil, Emma Eaton, Peter DePaola, Courtney Rossignol

Members Absent: None

Also Present: Amanda Backhaus (Town of Coventry Finance Director), John Elsesser (Town Manager), Bob Carroll (BOE Finance Director), Dr. David Petrone (Superintendent), and Leslie Gold (Auditor from Clifton Larson Allen LLP)

##### 1.B. Discussion: FY2022 Audit Reports:

Leslie Gold, partner from Clifton Larson Allen LLP, gave an audit presentation. In the powerpoint, she touched on key points including the audit summary, and financial highlights. Her presentation summarized on the following:

- Terms of engagement- Gold explained that the financial statements belong to the Town of Coventry. Her firm reviews those documents and expresses opinions on whether the statements are in accordance with generally accepted accounting principles (GAAP). The firm also expresses an opinion to the schedule of expenditures of federal awards, state financial assistance, and on compliance related to major federal and state award programs. Additionally, they provide a report on internal control over financial reporting, compliance with laws, regulations, contracts and grants, as well as compliance related to major federal and state award programs.
- Executive summary-The financial statements, state single audit, and federal single audit all received unmodified opinions, and there were no findings in the report on deficiencies in internal control and compliance in any of them. An unmodified opinion is a clean opinion, which is desired.
- Financial highlights- Financial statements from the audit were briefly reviewed. The following exhibits were reviewed:

- Exhibit II, from page 18 on the report reviewed governmental funds in terms of department expenses, charges, operating grants and contributions, capital grants and contributions, and net revenue.
- Exhibit IV, from page 21 of the financial statements, was discussed. This is essentially a governmental P&L for major and non-major funds. It was noted that the miscellaneous fund did reflect a deficit. Elsesser clarified that the miscellaneous grant fund shows a negative balance due to the fact we are still awaiting reimbursement. He clarified we did not overspend, but the timing of the audit and grant reimbursements did not allow us to record the awarded grant as revenue.
- Exhibit VI, from page 24, included operating revenues and expenses, and noted that the net position of these funds went up significantly.
- Exhibit IX from page 27, reviewed the pension trust fund. Gold noted that the market has gone down and reflects a change of over \$-2M, which is common for the State of CT.

Gold finished the financial highlights summarizing that the property tax collections were still strong at 98.71%. She noted the general fund unassigned fund balance is at \$5.6M, which is 12.42% of GAAP expenditures. Gold also mentioned that both the budgetary revenues and expenditures came in slightly lower than expected. Overall, the reports reflect positive budget results for the year. Gallagher questioned our percentages reflected in the report compared to other towns in the state. Gold informed that most were either in line or on the good side.

- Federal and single state audit- Federal awards expended during the fiscal year were \$3.1M. The major programs tested were the child nutrition cluster, and American relief funding. Unmodified opinions were received on both programs, and there were no compliance or internal control findings. State financial assistance awards expended were \$10.7M. The major programs tested were town aid road and LOTCIP. Unmodified opinions were received on both these programs as well, and there were also no compliance or internal control findings.
- Management letter- Gold discussed one issue she wanted brought to everyone's attention, regarding the food service department cutting checks to spend on outstanding orders. The department was spoken to too about this and educated on how to do this properly and recording outstanding balances as encumbrances.
- Governance communication- Gold reviewed governance communications. She noted that there are new standards adopted under GASB (Governmental Accounting Standards Board). Number 87 was added for leases. This makes for a lot of work to be done to analyze operating or capital-type leases the town may have, or anything that has recurring payments to vendors. This meant that contracts had to be reviewed so the town could establish what they feel are leases under the standard. The end result of this extra work is that the lessee side has a right of use asset on their capital assets and related lease liability in the debt section. In terms of significant estimates within the financial statements, it is typical to use useful lives as an estimate. If the useful lives are changed, it changes depreciation, which changes the value of the assets. Net pension liability and total OPEB liability are completely based on actuarial assumptions. You change the values of the assumptions; it drastically changes the value. The new lease standard is on the present value of those leases and it incorporates an incremental borrowing rate, which is an estimate. There were no disagreements with management, and everyone worked well together. No other accountants were consulted, there were no difficulties in performing the audit, and there were no uncorrected misstatements or independence issues. Beausoleil questioned what happens when an asset is

kept past its useful life. Gold informed that eventually it would be fully depreciated, and not have any value on the balance sheet, but would stay recorded as an asset.

- Upcoming GASB pronouncements-Gold discussed the upcoming GASB standards for 2023 which include Statement 91 (Conduit debt obligations), Statement 94 (Public-Private and Public-public partnerships and availability payment arrangements), and Statement 96 (subscription-based information technology arrangements). Gold believes that statement 96 will lay heavily on the Board of Education side. Gallagher questioned the point for numbers 87 and 96 and if it was to move items from the P&L to the balance sheet. Gold confirmed and elaborated that GASB wants disclosure on how many of those type of financial arrangements municipalities have. Gold also touched base on the standards to be implemented in 2024 and 2025. In 2024, statement 99 (omnibus 2022) and statement 100 (accounting changes and error corrections) will be added. In 2025, statement 101 (compensated absences) may be added, but it is still being contemplated. Gallagher questioned if these would be to get items on the balance sheet as well, which Gold confirmed.

### 1.C. Microgrid Project Update:

Elsesser informed Coventry Microgrid LLC is trying to sell product to Greenskies. They would then build and run it, which would be better. They are also proposing a change to the system, so that we would have less combined power generators and have a large emergency generator to replace the generator at the high school. The board does not use a lot of electricity in the summer. The expense of buying furnaces to create electricity, with no use for the heat during that time does not make financial sense. However, we need capacity for true emergencies.

Right now, the LLC has lawyered up to review the agreements. We are trying to make sure we have a “buyout clause”, and have all parties agree that we can use state grant money. This project is still alive, and we continue working on it. Soon, all the agencies will be asked if they are ready to move forward. The problem at this point is that the cost of electricity is unknown. Elsesser feels good about Greenskies, and stressed they are more formal than those we have been dealing with previously.

The BIRC grant the town worked on is still pending. This grant would pay for the underground wiring, which the town would own. The grant would fund \$1.7M, on top of \$4M for this project, which would bring expenses down. The Greenskies system design is more comprehensive and better functionality wise, but it is more expensive. Beausoleil asked if we will get updated designs and costs at the same time. She expressed concerns with outdated components being in the design. Elsesser informed we already have conceptual designs for the wiring that were submitted with the BRIC grant. He further explained there are no finished designs for the actual microgrid. It was made clear that the design plans are desired prior to making a decision on this project.

### 1.D. Fuel Oil Bid:

Carroll discussed that he has been watching this and looking at different sources, like CRCOG. They were in agreement that if heating oil costs were at \$3 or less, it would be a good price to lock in. The price that came in was \$2.98. The Town of Coventry was able to lock in fuel oil for \$3, and diesel for \$3.06. Diesel costs now are up to \$5.29. All the school buses and DPW vehicles all use diesel.

Elsesser noted that we were also able to lock in electricity with a reverse bid at \$.10c a kilowatt for the next couple years. Gallagher thanked both Carroll and Elsesser for keeping an eye on this to make sure we are ahead of the curve for expenses.

Carroll also informed that they are looking to do the same with natural gas. However, for this there is only 1 choice in CT, which is CT Natural Gas.

#### 1.E. Board Of Education Operating Budget:

It has been a significant month, as the outplacement numbers went from good to bad in a short time. Dr. Petrone has issued a spending freeze. The BOE will provide a list of things that they spend money on from their maintenance budget to fix things that needed emergency maintenance. Dr. Petrone added we have money coming in from other sources like the Office of Early Childhood, and Connecticare

Kortmann discussed that it has been warm and asked if that helped with heating cost savings. Carroll informed that heating and electricity are still projected to be in the red.

Elsesser informed that we have to buy our oil ahead of time, in a specific quantity, and we usually have some left over. Right now, we are at 40%, which is low.

Carroll mentioned free lunches are coming back, but those funds will go into the food service account. It cannot be used for anything but food service. Kortmann noted that they will likely look at using it for new equipment as needed. It was also clarified that there won't be reimbursements for those already paid.

Blanchard asked about certified temporary salaries being almost \$100,000. Carroll informed that this part of the budget goes to long term subs to fill in for maternities. Kortmann added there were a lot of people out sick too, with COVID and other illnesses. Dr. Petrone stated that the absentee rates are through the roof for both kids and staff. It was discussed that even though COVID isn't as bad, when those are sick with either COVID or the flu, the recommendation is to stay home. Dr. Petrone added he is hoping that in the coming years students and teachers will come back stronger, and absences will be reduced.

Gallagher questioned if absences have affected test scores and learning. Dr. Petrone confirmed yes, as you cannot teach them if they aren't there. He stated they call it unfinished learning, which was experienced during COVID, and leads to learning gaps. He added that they have also struggled getting substitutes when teachers are out sick. Often, special ed teachers and paraprofessionals are covering classes in the K-5 grade levels. This leaves the special ed students with lesser support. Gallagher asked about the after-school academy. Petrone indicated it would be going through the Spring and they will be looking for the open choice funding to cover it for April break too, in efforts to regain all that lost learning.

#### 1.F. Governor's Proposed FY Budget - Municipal Aid For Coventry:

It was discussed that the Governor's budget hurts small towns. Elsesser noted he has been working hard with the Council of Small Towns on new regulations, as there is a list of 72 towns that are losing state aid.

We found out that now, we will not hear on the HVAC grant status until March. This is going to make it difficult to get the work going, as we are supposed to do it in the Summer. Backhaus noted that the federal government has their own timeline to stick to, and it will be tight for them as well.

Gallagher mentioned there have been minor changes in adult education, but larger changes in ECS. Kortmann added they never funded a bus, like they said they were going to. Dr. Petrone noted this is now on hold for the next 2 years, and there have been other things that were supposed to get funded that did not.

Elsesser informed there is a spending cap. The Governor's budget has about \$54M more than they can spend. They will have the legislation decide what is the priorities, and Elsesser thinks education will be one of them. The spending cap is based on the Governor's income tax reduction, which is less impactful than help on property tax. This is driving the list of small towns affected to have to raise taxes.

Thomas expressed that a joint letter from her, as Town Council Chair, and the BOE Chair expressing joint concern would be beneficial to advocate for ECS funding, to at least keep it where it was last year.

### 1.G. Fiscal Reports January 2023:

There were no questions on the reports and for the most part they looked good.

Dr. Petrone mentioned we have a new student coming in soon, and the possibility for a second one from another district because of our special ed programs. He also mentioned that the Open Choice enrollment is closed at this point, but we have 2 out-of-town students this year. Gallagher noted she was happy to see us get students in from this program and to see it continue to grow. Dr. Petrone also discussed that they changed their marketing strategy for Open Choice, as people didn't know where Coventry was. The Hartford students actually have a shorter commute than some in town students. The van picks up out-of-town students and brings them directly to schools, with no stops.

Elsesser discussed some work he has been doing to get better cable in certain areas as Spectrum is not sufficient to stream movies at Patriots Park and the Senior Center. However, Frontier is available there now, and having them service those locations is the best option, as they are the cheapest. They will continue to look for something better, so that there is another option for when Frontier raises their prices. After school programs are held there, and there are hopes to have more public uses at these facilities to get funding, so having working internet is important.

All Board of Education Fiscal Committee members left, and the meeting unofficially adjourned at 8:10 PM.

## **2. Regular Finance Committee Meeting:**

### **2.A.Call To Order, Roll Call**

The Meeting was called to order by Chair Robyn Gallagher at 8:10 PM

Members Present: Robyn Gallagher, Marty Milkovic, Julie Blanchard, Lisa Thomas (Council Chairwoman & Ex-Officio Member)

Members Absent: None

Also Present: Amanda Backhaus (Finance Director), John Elsesser (Town Manager)

## **2.B. Acceptance Of Minutes: January 9, 2023:**

Milkovic moved to accept the minutes of January 9, 2023, Gallagher seconds.

Discussion/Changes: None

Vote: Unanimously in favor

## **2.C. Reports:**

### **2.C.1. Committee Chair-Robyn Gallagher:**

Gallagher reported that we will be heading into the budget season soon. She thanked all those that will be involved in advance, as she feels this year will be challenging.

### **2.C.2. Committee Members:**

Milkovic reported he saw on the town website that the Town and Manager's meeting information was shared and hoped it would be put on Facebook to get more interest. Elsesser confirmed it would be on Facebook and also noted that his intern is working on a cartoon video that will be shared to explain the budget process.

### **2.C.3. Finance Director's Report & Monthly Finance Reports:**

Total General Revenue- Tax collections are right in line with where they should be. We had good collections for the month of January. The tax collector will work on delinquent accounts for the rest of the fiscal year. We are doing well with the revenue streams as well.

Expenditures- Are looking good with expenditures at 66% compared to 67% last year. Backhaus discussed the need to cover the ECH issue that happened back in August. The police department has updated that we may be able to recover the remainder of those funds.

Board of Ed.- At 54%, versus 53% from last year. It seems that, after information from their joint meeting, it will be a more challenging year for them. Backhaus will be keeping in touch with them as things move forward.

COVRRRA- Account is still negative, and we are hovering at a similar negative balance as last month. The year end projected balance will need to be updated. This fund will be reviewed during the budget, and we will need to determine the next steps. Backhaus will be recommending a significant increase this year to the town's ~4500 households.

Blanchard questioned if there was anything to do to improve recycling, and asked why we are paying \$90. Elsesser commented that there is no market for it and China stopped accepting recycling. He continued that the politics in Hartford shut down their recycling plant with no back up plan.

The town could look at COVRRRA collections to be billed on a monthly basis or do a 2-part billing which was discussed in the past. Billing this way would help residents, but increase administration costs for printing, mail, etc.

Elsesser noted they have done economic modeling, and it was determined that this is the most cost-effective way for waste/recycling disposal. He continued that the state has ignored the issue. There are other plants that could pick up more or fund production more, but they are refusing. Elsesser expressed that the best thing we could do would be to address food waste, as it makes up 30% of our tonnage for waste disposal. He added that the anerobic digester in town would like to work with us to take our food waste, but we need to find the best way to collect and transport it to them. However, Elsesser stressed there is no additional town staff available to work on this right now. Thomas understands that, but wants to make sure it stays on our list of priorities.

Sewer- This fund is doing great, and it is exceeding its projected balance.

Recreation- Still looking good, and doing far better than we hoped it would be doing.

EMS- Looks as though it might break even in the unassigned category, but is still in need of additional funding next year. Backhaus felt they may need close to \$500,000, and does not think we will have the funding for that. This amount would include the costs associated with the Vintech increase.

Gallagher asked Backhaus to look into what a projected 20% increase with keeping Vintech would look like for next year. Elsesser commented that it may be a 30% increase. Gallagher questioned if this would still be cheaper than hiring in-house staff. Backhaus noted that at 20% it would be close, but the salaries they calculated for hiring staff are lower than what she thinks we could actually hire staff for.

Backhaus also touched on the fact that they will be moving forward with Tax sales. After the attorney got involved, the list was brought down to 10 properties. Backhaus believes the tax sales can happen in July/August, so it can be an extra revenue source for the next fiscal year. It was discussed that only special attorneys do these cases, because they are very rigid and specific.

The number 1 property was discussed, as they owe the most and are 15 years delinquent. It was noted that one of the owners may be deceased, and the surviving owner may not live at the property. It is thought they may not be receiving the letters sent to the home address. Once a property is over 15 years past due on their taxes, we start losing collectable revenue as the max amount of years to collect is 15.

Backhaus informed that if the town wanted to purchase land through tax sales in a large group, he would do that for us, but would not do individual sales. She noted a lot of these lands are small ones along the lake. Gallagher mentioned that each of these pieces of land would have lake rights and fees. Elsesser discussed that the problem with obtaining these lots are that the transactions costs and fees would outweigh what we would eventually receive. Blanchard was curious about the criteria for getting on this list. Backhaus commented that it has to be at least 3 years past due and owe \$7,500 or more.

E. Board Of Education Fiscal Reports - October 2022: No further discussion.

**3. Discussion/Possible Action: Recommendation For Assignment Of American Rescue Plan Funding:**

Backhaus informed she added a line in the potential uses for a well contamination study. Elsesser informed that contaminated wells can be fined, so the Town Council will want to take action on this. We have to show progress, and the next step would be to have engineers look at this, and have the study done. We would need to go to bonding to get money, that CT Water would eventually pay back.

**Motion:** I move to recommend to the full Town Council to assign \$25,000 from ARPA to be allocated for a well contamination study.

By: Milkovic

Second: Gallagher

Discussion:

Gallagher questioned the quotes we received and actual costs. She was curious if \$25,000 would cover it. Elsesser noted the costs would be known for the next town council meeting. Gallagher wondered if there are savings in the snow funds, as we have had fairly good weather, and if those funds could be reallocated so we do not have to pull the \$25,000 from ARPA. Elsesser clarified that there would not be enough, and that the salt has to be purchased ahead of time. He also clarified if savings were pulled from other areas, it would impact next year's budget. Backhaus mentioned that they could pull from the council's 1.5% fund, as it has remained under budget.

Gallagher expressed that she feels a healthy amount of ARPA will be needed to supplement the EMS fund, and that should be planned for. She was nervous to keep chipping away at ARPA at this point and was curious of the best place to take the needed funds from. Backhaus stated that either ARPA or the 1.5% fund would be fine.

Blanchard explained this was why she opposed pulling the \$40,000 out of ARPA for the Town Manager search, and felt the council should have waited until the funds were actually needed. She noted that things continue to come up every month and was unsure that this is the best use of ARPA funds.

Elsesser discussed that the study is needed, because we have a problem. The study will tell us what solutions are best and the associated costs. Elsesser stressed that the state will not give us any funding, until a cost/benefit analysis is done. Milkovic agreed the study needs to happen, and reiterated we need to do the study to get grant funding.

Milkovic amended his original motion:

**Motion:** I move to recommend to the full Town Council to assign \$25,000 from the Town Council's 1.5% fund, to be allocated for a well contamination study to address well contamination issues.

By: Milkovic

Second: Gallagher

Vote: Unanimously in favor

**4. Consideration/Possible Action: Lake Management Funding:**

The committee reviewed the invoice from GZA. Backhaus informed that GZA went over their quote, and the balance owed is \$27,101.97. This amount includes the \$10,500 that was encumbered to pay for this.

Milkovic suggested the quote be reviewed to see if there is any information that could help bring this cost down.

Backhaus expressed she was displeased with the way GZA handled this, and expressed to them that this is not proper practice and that they need to notify us prior to exceeding the time and money they were allowed.

**Motion:** I move to recommend to the full Town Council to pay the GZA invoice with funds from CNREF.

By: Milkovic

Second: Blanchard

Vote: Unanimously in favor

### **5. Consideration/Possible Action: Library HVAC Repairs:**

Backhaus discussed that the total will be between \$30,000-\$32,000, and that these repairs are emergency repairs separate from the renovation project.

**Motion:** I move to recommend to the full Town Council to allocate up to \$32,000 from CNREF to pay for the HVAC repairs needed at the library.

By: Milkovic

Second: Gallagher

Discussion:

Blanchard asked if it is possible to do half now, and plan for the other half in the capital budget. Elsesser felt it best to do all repairs at once, because the library uses a glycol HVAC system, instead of a water system.

Gallagher also expressed that she would rather take care of all of it now, rather than push it into the budget for next year.

Vote: Unanimously in favor

### **6. Adjournment:**

Blanchard motions to adjourn at 9:02 PM, Milkovic seconds. Meeting adjourned at 9:02 PM.

Submitted by,

**Nicole Archambault**

Nicole Archambault

Finance Committee Minutes Clerk

*PLEASE NOTE: These minutes are not official until approved by the Finance Committee at the next Finance Committee Meeting. Please see the next Finance Committee meeting minutes for approval or changes to these minutes.*