

DRAFT

**MONROE BOARD OF FINANCE
Monroe, Connecticut**

June 20, 2012

Present: Chairman Mark Reed
Vice-Chairman Michael Manjos
Board Member Chris Baudouin
Board Member John Ostaszewski
Board Member Ted Quinlan

Also present: Finance Director Carl Tomchik
Treasurer Ron Bunovsky, Jr.
Heidi Meade

Absent: Board Member Scott Ownes
First Selectman Steve Vavrick
Tax Collector Manny Cambra

CALL TO ORDER-*Chairman Reed* called the meeting to order at 7:30 p.m.

REVIEW OF MINUTES

Motion to Accept the Amended Regular Meeting Minutes and Voting Record

Motion: (M. Manjos)

To accept the Amended Regular Meeting Minutes and Voting Record of May 16, 2012

Second: (J. Ostaszewski)

Discussion: Chairman Reed asked for clarification on the discussion regarding the Debt Service. Vice-Chairman Manjos stated that the board approved the Debt Service and Undesignated Fund Balance but that he and Board Member Ownes are clarifying Pay as You and that it will be brought before the board at a later date. Board Member Quinlan wanted clarification on the \$12,000 cost to maintain Chalk Hill; the record was changed to reflect that the \$12,000 was the labor cost to maintain the building.

Motion passed 3 (Manjos, Ostaszewski, Quinlan)-2 (Reed and Baudouin abstained from the vote as they were not present at the meeting)

EXECUTIVE SESSION-There was none at tonight's meeting.

FIRST SELECTMAN'S COMMUNICATION-There was none at tonight's meeting.

PUBLIC PARTICIPATION-There was none at tonight's meeting.

NEW BUSINESS

a. Chalk Hill Private Partnership Proposal and Cost Estimates-*Chairman Reed* said that as *First Selectman Vavrek* was absent at tonight's meeting, they would only be reviewing the cost estimates. This year's actuals are approximately \$250,000 with the major costs being \$91,000 for light and power and \$123,000 for heat. *Board Member Quinlan* asked for a "Reader's Digest version" of what is staying open and what hibernation means; *Mr. Arndt* said that keeping open means the business and programs that are being held there this year (Parks and Recreation programs, the daycare center and EMS) would remain. He said that any additional use will need to be looked at on a per use basis as maintenance and electrical costs would increase. It was said that if the building is closed, they would have to have someone monitor it. *Chairman Reed* noted the \$50,000 contingency and *Mr. Arndt* said that it is a figure of reference, there is nothing that he recommends the town doing at this time as the building is "a pretty sound system." *Chairman Reed* asked what would happen if they shut the system down and drain the pipes; *Mr. Arndt* replied that some of the infrastructure might deteriorate to the point where there is a potential for the town to incur greater costs *Chairman Reed* stated that he was not in favor of one plan versus another but that the board needed to know the options. *Board Member Quinlan* wanted to know what is included in the contracted cost and operating expenses and why there was a combined increase of \$90,000. *Chairman Reed* also asked about the operating costs as the actual cost is \$9,000 and the projected for next year to keep open cost is \$43,000; *Mr. Arndt* said that \$50,840 would be for an additional full time staff member with benefits. *Mr. Tomchik* said that the numbers captured what they have paid for during this period of time. *Chairman Reed* stated that with the salary expenses and operating expenses shooting up, he was skeptical of the numbers. The cost for the major contracted services (heat, light and power) are relatively flat, the significant increase is the actual on the labor. *Board Member Quinlan* asked if there was a janitor included in contracted services in year one; *Mr. Arndt* said that in year one there are some additional services to prepare for hibernation. *Ms. Meade* provided the board members with a breakdown of the expenses. *Vice-Chairman Manjos* asked where they were in regards to the proposal for another use; *Chairman Reed* said that he would like to hold a special meeting next week to discuss the status of the proposal. The board members in attendance agreed to meet on Tuesday, June 26th at 7:30 p.m. *Chairman Reed* asked for the operating cost to close the building versus the \$2 million demolition costs. *Mr. Arndt* said that the cost would be approximately \$100,000 though there may be additional costs to have it monitored. *Chairman Reed* reiterated that \$100,000-150,000 is an approximate cost for a total shut-down and \$375,000 to keep Chalk Hill open.

b. Resolution Regarding Bonding-*Chairman Reed* said that during budget season, it was discussed that \$1.3 million would be included in the budget for road construction and there was an additional \$600,000 for the previous year to repay some of the little loans and outstanding funds. The \$600,000 is not part of the proposal.

Motion to consider the Resolution regarding Road Construction Bonding for \$1.3 million

Motion: (T. Quinlan)

To consider the Resolution regarding Road Construction Bonding

Second: (M. Manjos)

Discussion: *Vice-Chairman Manjos* asked about LOCIP (Local Capital Improvement Program); *Mr. Tomchik* replied that this is money that the town can apply for from the state and the funds must be used for capital improvements to infrastructure such as re-roofing, road repairs and changing out oil tanks. *Mr. Arndt* added that they try to plan out the use of those funds to deliver the best value to the town. *Mr. Tomchik* said that of the \$400,000 of LOCIP funds, there is \$250,000 remaining as \$50,000 has been spoken for and \$100,000 is being applied for. *Chairman Reed* said that LOCIP is being brought up now because it had been used previously for roads because the town had not budgeted for them. He continued that the funds could be used towards the roads and reduce the bonding but it was his feeling that they should be used for maintenance items. *Mr. Tomchik* added that one of the things they are applying for is \$100,000 to expand, pave and repair the rear parking lot which is a requirement for the police station renovation. *Board Member Baudouin* asked if that amount was in the original budget for the project, *Mr. Tomchik* said that it was not. He added that there are also draining and paving that has to be done which was not in the specs. *Mr. Zini* said that Planning and Zoning requirements are not \$100,000; there are multiple site issues “some that the project wanted to do and some mandated by the town stipulations”. He said that the costs were estimated by the town engineer to be between \$25,000-\$30,000 and there were items that the Police Department wanted to be included in the project such as extending the parking lot. *Mr. Zini* continued that the engineer on the project acknowledged to the town engineer that their calculations were incorrect and they needed to realign them. *Chairman Reed* said that the Board of Finance would like to hear from the Building Committee regarding the project and requested that the chairman of the Building Committee update the board at the meeting next week.

Motion passed 5-0

Chairman Reed introduced and read the following resolution:

RESOLVED: That the resolution entitled, “RESOLUTION REGARDING AN APPROPRIATION AND BOND AUTHORIZATION OF \$1,300,000 FOR THE ROAD CONSTRUCTION AND RECONSTRUCTION PROJECT” a copy of which is attached hereto, is hereby approved and recommended for adoption by the Town.

Chairman Reed moved to waive the reading of the entitled resolution and that its full text be incorporated into the minutes of the meeting. The motion was seconded by Vice-Chairman Manjos.

There was no further discussion on this motion.

Upon roll call vote, the ayes and nays were as follows:

AYES

NAYS

Board Member Quinlan
Board Member Ostaszewski
Board Member Baudouin
Vice-Chairman Manjos
Chairman Reed

Chairman Reed thereupon declared the motion carried.

Chairman Reed moved that said resolution be adopted as introduced and the motion was seconded by Vice-Chairman Manjos

Upon roll call vote, the ayes and nays were as follows:

AYES

NAYS

Board Member Quinlan
Board Member Ostaszewski
Board Member Baudouin
Vice-Chairman Manjos
Chairman Reed

Chairman Reed thereupon declared the motion carried and the resolution adopted.

The Resolution in its' entirety reads:

RESOLVED:

(i) that the sum of \$1,300,000 be appropriated for the cost of the Road Construction and Reconstruction Project, (in addition to the \$600,000 and \$2,200,000 previously appropriated) such project to include the construction, reconstruction, repair and resurfacing of various roads located in the Town of Monroe (the "Town") and all alterations, repairs and improvements in connection therewith, as well as engineering, architectural and temporary and permanent financing costs (the "Project") and to meet said appropriation and in lieu of a tax therefor, bonds of the Town be issued pursuant to Chapter 109 of the Connecticut General Statutes, as amended, or any other provision of law thereto enabling, in the amount of \$1,300,000 (in addition to the \$600,000 and \$2,200,000 previously authorized) or so much thereof as may be necessary after deducting grants or other sources of funds available therefor, which bonds shall be general obligations of the Town to which its full faith and credit is pledged; and

(ii) that the First Selectman and the Treasurer be authorized to issue and sell such bonds and to determine the amount, date, date of maturity, interest rate, form and other details of such bonds, pursuant to Chapter 109 of the Connecticut General Statutes, as amended, or any other provision of law thereto enabling; and

(iii) that the First Selectman and the Treasurer shall sign the bonds by either manual or facsimile signatures and that the law firm of Pullman & Comley, LLC is designated as bond counsel to approve the legality of the bonds; and

(iv) that the First Selectman and the Treasurer be authorized to issue and sell temporary notes of the Town in an amount not to exceed \$1,300,000 in anticipation of the receipt of the proceeds from the sale of such bonds and to determine the amount, date, date of maturity, interest rate, form and other details of such notes, pursuant to Chapter 109 of the Connecticut General Statutes, as amended, or any other provision of law thereto enabling, provided that the proceeds from the sale of such notes shall be used for said purpose; and

(v) that the First Selectman, the Treasurer, or either of them, is authorized to designate a bank or trust company to be the certifying bank, registrar, transfer agent and paying agent of the bonds; to sell the bonds and notes at public or private sale or negotiation; to deliver the bonds and notes; to perform and comply with all requirements of the Internal Revenue Code of 1986, as amended, and to perform all other acts and execute such documents which are necessary or appropriate to issue the bonds and notes including, but not limited to, the execution and delivery of a bond purchase agreement, tax compliance agreement and bond insurance agreement; and

(vi) that the First Selectman, Treasurer and Director of Finance or any one of them are hereby authorized, on behalf of the Town, to enter into agreements or otherwise covenant for the benefit of bondholders as may be necessary, appropriate or desirable to effect the sale of the bonds and notes authorized by this resolution, including agreements to provide information on an annual or other periodic basis to nationally recognized municipal securities information repositories or state based information repositories (the "Repositories") and to provide notices to the Repositories of material events as enumerated in Securities and Exchange Commission Exchange Act Rule 15c2-12, as amended; and

(vii) that the Town reasonably expects to incur expenditures (the "Expenditures") in connection with the capital project for which a general functional description is provided above. The Town reasonably expects to reimburse itself for the cost of the Expenditures with the proceeds of bonds, notes or other obligations of the Town described above. The maximum principal amount of such debt is not expected to exceed \$1,300,000. This declaration of official intent is a declaration of official intent made pursuant to Treasury Regulation Section 1.150-2.

c. Hooker & Holcombe Actuaries-*Mr. Tomchik* said this discussion is a carry over of a discussion that began during the budget process. *Sharad Arora*, Actuarial Specialist, said that they reviewed the valuation the town had with their current actuary and they presented the board with their service approach and their willingness to share information on timely basis. *Mr. Arora* stressed the firm understands the needs of large and small towns as they have over 100 municipal clients and they can perform the services the town requests at the same cost (and possibly lower cost) than what they are being charged by the current actuary. The town currently uses Siegel though there is no contract and *Mr. Tomchik* said that he feels that they town has become too small a client for them to pay attention to and that they sent the pension valuation in without a phone call when the arc went from \$135,000 to \$555,000. *Board Member Quinlan* asked if *Mr. Tomchik* had references for the firm, he said that the health benefit provider had recommended them originally and he will provide references at the meeting next week.

d. Engagement letter for the 2012 audit with Grant Thornton-*Board Member Quinlan* asked if the audit would have the same scope and level of services, *Mr. Tomchik* said it would unless the board asked for additional information. He confirmed that the staff and support will remain the same as with CC& R. *Board Member Quinlan* asked when the town last went out to bid and *Mr. Tomchik* responded it was in 2006. *Board Member Quinlan* said that they should go out to bid every few years to ensure that they are getting the best service at the best cost.

Motion to Approve Grant Thornton as Auditor for the town

Motion: (M. Manjos)

To approve Grant Thornton as Auditor for the town

Second: (T. Quinlan)

Discussion: None

Motion passed 5-0

e. Monroe Fire Department use of proceeds from sale of truck-*Bill Davin* said that they sold a piece of older apparatus for \$24,5000 and they are asking to use those proceeds to wards the purchase of a Chevy Tahoe costing \$31,000. They request that the \$6500 difference be taken out of their quarterly check from the town. *Chairman Reed* said that this should be going through the CIFAP committee as it is a capital asset. He added that they have been trying to put a planning process into place so that when needs like this come up; there is a well defined list. He asked where the SUV was on the CIFAP list, *Mr. Davin* said that there is a meeting tomorrow night. *Mr. Zini* said that he was a bit confused as they have apparatus equipment on the current matrix; “there are equipment needs listed that are still current until the next budget cycle.” *Chairman Reed* continued that CIFAP, provides a very long term plan where the town’s priorities are clearly stated and this request is not the Board of Finance’s prevue, it needs to be addressed by CIFAP. The next CIFAP committee meeting will take place on Monday, July 16th. *Board Member Quinlan* asked how long the request would take to go through CIFAP as he did not want to see the department down a vehicle. *Mr. Zini* responded it is simply a matter of submitting the request and updating the matrix and the CIFAP committee will make a recommendation to the other elected bodies for consideration

f. Board of Education borrowing to support technology purchases-*Mr. Tomchik* said that the Board of Education wanted to borrow money from the town and pay it back over 3 years. He said that he has the cash flow to do it for them and gives the Board of Education the ability to pay for technology rather than lease it as they have done previously. *Chairman Reed* asked if it decreased the designated fund balance, *Mr. Tomchik* stated that it comes from the return capital he is getting from the investments he has in bonds right now. *Board Member Quinlan* stated that is effectively the internalized banking that the board has discussed previously. The Board of Education will provide the town with a memorandum of understanding that they will pay the town back.

Motion to Approve a loan of \$333,201to the Board of Education

Motion: (M. Reed)

To approve a loan of \$333,201 to the Board of Education to support Technology purchases

Second: (M. Manjos)

Discussion: None

Motion passed 5-0

g. Board of Education Medical Reserve Fund policy-There was a draft of the Board of Education's medical reserve fund policy from *Ms. DiBlasi* in the board packet and *Chairman Reed* also provided the board with a draft he had created. *Vice-Chairman Manjos* stated that his initial reaction to the plan was that it was a very tight window with the 3% range, "the more important issue is that any additional remaining surplus could be returned with could being the key word." He continued "it is not really a medical reserve account, it is a reserve account." *Board Member Quinlan* said that he recalled from his discussions with *Tom Buzi* that whatever the Board of Education gets approved to spend is theirs to spend in the manner they see fit and we can't manage it." *Vice-Chairman Manjos* said that the board is asking the town to protect their downside so if they want to come to an understanding that if there is an upside than a medical reserve has to be clearly defined. *Chairman Reed* said that *Board Member Quinlan* was correct in saying that once the money is given, the Board of Finance has no further control over that it but the way the Board of Education's draft was written, it means there is the possibility that transfers could be made from the medical reserve to another account so it would no longer just be a medical reserve; it is a reserve account. *Board Member Quinlan* stated that it was a "fine line." *Vice-Chairman Manjos* stated that the Board of Education is saying that they will save it for medical expenses but that they can spend it on other things at the same time. He added that what the Board of Education wants to do is keep it in a 3% window and if they have extra money, spend it somewhere else; "if the Board of Education identifies an extraordinary need in the health reserve account, they can make an exception to this guideline and put any additional surplus operating budget in the reserve account." He asked how there could be an extraordinary need if they are still within their range; he stated that the way it is written, it is not a medical reserve account; it is strictly a reserve account. *Board Member Quinlan* said that he felt it was getting into an area where legal advice may be prudent. *Vice-Chairman Manjos* added that they have a way where they can protect their downside and keep their excess reserves for medical reserves and if both agree to a policy, they can proceed with a policy. *Chairman Reed* added that these were draft documents which needed to be brought with the Board of Education as well. He said that the concept of his plan was to widen the window to 20-30% with the goal being 25%. He said that it was net expenses rather than total expenses; the idea of the reserve is covering the claims and not the other expenses that are already included. The fluctuating variable is the claims and "it is the claims you are trying to cover rather than the other expenses." If the reserve exceeds 30%, the Board of Education transfers the excess into the general fund to be used solely for medical expenses. He stressed that it was a voluntary agreement between the boards. Presently, the Board of Education medical reserve is at 40%. *Board Member Baudouin* asked how medical was going to be defined. *Board Member Quinlan* noted that co-mingled funds (town funds and employee funds) would make it difficult to implement the proposal. *Board Member Baudouin* said that he would prefer to keep it in the budget process and reduce the reserve to 15% and if there is a catastrophic issue, then have a special resolution to address it. *Vice-Chairman Manjos* said that the concept was to get the Board of Education to lower their reserve and to help make that happen was to have the town agree to mitigate the catastrophic risk and in return, the town has asked in return that they spend the money on medical and if it doesn't get spent on medical, those funds would come back to the town. *Board Member Quinlan* said that he feels it would be beneficial if the "demonstrated lack of trust of the Board of Education by the Board of Finance" was removed; "if assumptions are made that they are trying to game the systems, it will alter judgments and education is too important to make the wrong decisions based

on wrong assumptions.” *Vice-Chairman Manjos* said they are hoping to bridge their relationship with “win-win” efforts such as funding technology but it is not “far away history that issues came up and when the policy is written like this, there is no other way to read that other than they want the money available to move to another area.” It was added that as an agreement, it was difficult not to interpret it as being one sided. *Chairman Reed* agreed that an agreement needed to protect both sides. *Vice-Chairman Manjos* said that if they can reduce the medical reserve and save money without impacting education, it is a win-win for all parties including the students, teachers and taxpayers. *Chairman Reed* added that he will continue to work on the draft. **LOCIP-LOCIP** was discussed earlier in the evening.

REVIEW OF FINANCIAL REPORTS

Expense & Revenue Summaries-It was noted that Building would not make budget and Parks and Recreation was down significantly though June is the month where they realize the majority of their revenue. *Chairman Reed* noted that Little League brings in a fair amount of money. He added that legal fees will be added to the agenda for Tuesday night’s meeting

EMS-*Mr. Condon* updated the board on EMS; *Vice-Chairman Manjos* asked what the status was on the approval process; *Mr. Condon* said that they could use some assistance in terms of having a part-time employee as the data they need to proceed is being gathered by volunteers. He added that they have gone to the First Selectman and Human Resources and the town has to approve the position they are requesting. The request is for a .5 position which was included in the budget *Mr. Tomchik* added that the idea was that when the contract was changed, there was an immediate cost savings as the rate per person was appreciatively lower and the savings already realized is more than sufficient to cover the cost of a part-time individual; *Chairman Reed* said that he suggested the board recommend EMS going forward with hiring a part-time individual; all the board members present agreed. *Mr. Condon* continued that he wanted to remind the board about EMS being housed at Chalk Hill and if the building were to be closed, the town needs to find an alternative for their training. *Chairman Reed* responded that as per previous discussions, EMS would return to Jockey Hollow Fire Station and the remediation costs have not been finalized; he stressed that the board still needs to have the numbers on the cost of closing Chalk Hill so the discussion on relocating EMS was premature.

Tax Department-*Mr. Tomchik* said that the tax department is doing well; total to budget is 100.74%. The new tax bills are just being sent out.

Treasurer’s Report-*Mr. Bunovsky* provided the board members with the monthly report. *Board Member Quinlan* asked why the town is so heavily invested in Newtown Savings; *Mr. Bunovsky* said that it was due to the ease of moving funds and the percentage rate they offer.

BOARD OF EDUCATION CORRESPONDENCE-There was no further discussion on the Board of Education this evening.

COMMITTEE REPORTS-There was none tonight.

OLD BUSINESS

Pension Committee Update- The committee members are *Vice-Chairman Manjos*, *Mr. Bunovsky* and *Board Member Ostaszewski*.

MUNIS update-*Mr. Tomchik* said there will be a meeting on Monday night and the contract has been reviewed by the town attorney and the schedule for implementation has remained the same as previously discussed.

Internal Leasing-There was no further discussion on Internal Leasing.

Motion to Adjourn

Motion: (M. Manjos)

Motion to adjourn the meeting at 10:20 p.m.

Second: (J. Ostaszewski)

Discussion: None

Motion passed 5-0

Respectfully submitted,

Diane Behringer
Board of Finance Clerk