

Woodstock Board of Finance

Regular Meeting

Room 1 - Town Hall Tuesday, June 12, 2018

MINUTES

1. The Call to Order was by Chairman of the Michael Dougherty at 7 PM

****The town video camera was not in the room.**

2. Roll Call Michael Dougherty (Present)

Fred Chmura (P)

David Fortin (P)

Ronald Cabana (excused; out of town)

Roy Bradrick, Jr (excused; out of town)

Glen Lessig (P)

Michael Bernardi, Alt (Absent)

Jeffrey Kelleher, Alt (P)

David Richardson, Alt (P)

Present: Selectman Frank Olah; School Superintendent Victor Toth; Board of Education Chairman Megan Bard-Morse; Treasurer Karen Fitzpatrick; Planning and Zoning Commission Chair Dr. Jeffrey Gordon; School District Business Manager Karen Munroe

Members of the public: Wayne Durst; Preston Schultz, Ernest St. Jean

Recording Secretary: Dotti Durst

3. Seat Alternate if necessary: Alternate David Richardson was seated, per the request of R. Bradrick

4. Motion D. Fortin/D. Richardson to approve the minutes of the May 15, 2018 Regular Meeting as presented carried unanimously.

5. Public comment: none

6. Old Business:

A. Update on State Budget: K. Fitzpatrick provided a copy of the latest Office of Fiscal Analysis report, which projects a deficit for Fiscal Year 2017-2018 of \$720.9 million. Note was made that \$492 million has been bonded. D. Fortin - have all anticipated State funds have been received? K. Fitzpatrick - no, the second installment of Town Aid Road is not in, no Circuit Breaker, no Revenue Sharing Grant. If funds which are currently showing as Receivables arrive

after the close of the current fiscal year, they are allowed to be booked in the correct fiscal year, as budgeted items.

B. Review Fund Balance Policy: M. Dougherty - the policy is still under suspense. He recommends holding that policy in place until September when the audit is completed. **D. Fortin** - since the BOF does not meet until September, we could address any emergency request by calling a Special or Emergency Meeting to handle a 2-step process, first of transfer from General Fund to the CNR then allocating it for the requested purpose.

K. Fitzpatrick - the funds remaining from the previous fiscal year, \$294,000, can be transferred and used for any purpose the BOF determines. It was already planned to be expended as part of that fiscal year's budget approval, so no other town meeting is needed to move to the CNR (undesignated). Then when it is allocated, a Town Meeting is required. **D. Fortin** - is there any advantage to moving funds now, or waiting until there is a request? The town's balance is higher than the auditors recommended maximum of 15% at 15.8% (the suggested range is 8 - 15%). I will suggest we discuss moving funds from the General Fund to Undesignated Capital Non-recurring fund; this would facilitate any request than comes in, as the balance is currently \$39K.

M. Dougherty - this appears to permit both, maintaining the suspension on the cap. **Motion in order to open discussion D. Fortin seconded by G. Lessig to transfer \$110,000 to the**

Undesignated Capital Non-recurring fund in compliance with the fund balance policy, and to continue suspension of the cap on maximum balance for the Uncommitted General Fund. D.

Richardson- there seems to be a pattern by the state to observe the balances a town keeps and to cut funding based on those numbers. If we reduced the 15.8% balance by \$110,000 will the new balance be closer to 15%? **K. Fitzpatrick** - yes, the balance will remain at about 15%. **G. Lessig** -

since the auditors have guided us this way, we should maintain the suspense on the fund balance policy and move \$110,000 to the Capital Non-recurring as undesignated. **Motion carried unanimously.**

C. BOE CNR Request: V. Toth reviewed a March 23 memo from Woodstock Public Schools, in which requests from the Town's Capital Non-Recurring Fund funds to address facility upgrades and maintenance of a chimney and sidewalks, as well as HVAC/Heating systems matters in the amount of \$50,000. **D. Richardson** - this request letter ties into the Non-Lapsing and capital projects; this should be clarified. **D. Fortin** - yes, three issues all merge here. These are repairs to buildings the Town owns (except for 2 line items). As a citizen, I know preventative maintenance avoids greater expense in the future. And the BOE does not have the funds to take care of these capital improvements and the town does. **D. Richardson** question - given that the BOE has \$161,000 in their Non-Lapsing Account, will it be utilized, referencing a letter from last July (given that the operating expenses shortfall is \$169,000). He agrees that the projects should be done but questions which funds should be used to pay for them.

Motion D. Fortin seconded by D. Richardson table the topic under agenda item 6C and to move it to agenda item New Business, 7C, BOE Non-Lapsing Account, carried unanimously.

Motion D. Fortin seconded by F. Chmura to add agenda item New Business, item D, BOE Internal Services Account carried unanimously.

6. New Business:

A. Discussion on CNR - Plan of Development: Chairman of the Planning and Zoning Commission J. Gordon addressed the fund balance designated for updates to the town's Plan of Conservation and Development, reviewing the statutory requirements for updates to the Plan; the statute includes a punitive aspect to the town if the updates are not handled in a timely fashion. He added that the Commission is currently working on matters which will result in updates to the Plan in the near future as well as other aspects that will impact that budget amount in two years. Continuous improvement is one of the ways the Commission has selected to be proactive in the best interests of the town. He requested the balance remain as is, with all parties understanding that the funds are designated exclusively for updates to the PoCD, thus allowing the Commission to handle updates in an expeditious manner. D. Richardson - the current balance is \$18,438. F. Chmura - does the balance need immediate replenishment to achieve these current goals? J. Gordon - no, the balance is adequate at this time. D. Fortin - was a member of the PnZ Commission when the update to the Plan was achieved, resulting in about \$6,000 in fees to NECCOG, the Town Attorney for his review, and printing and related expenses. It appears that the current balance should handle the anticipated costs over the next couple of years. M. Dougherty - in most cases, when a project is completed, the account is closed out, thus this inquiry. In this situation, with an on-going project, it is important that the BOF is fully informed, and it is evident that no action by the BOF is needed at this time. The PnZ Commission should return to the BOF if the working funds in the PoCD account fall below a reasonable working balance. He thanked J. Gordon for attending and keeping the BOF informed.

B. Discussion on BOE Letter Regarding Insurance: V. Toth - the BOE found that it was no longer feasible to remain self-insured (health insurance) and using Dan Hebert's recommendation, selected the State Partnership Health Insurance 2.0 plan, with a three-year span. Using the current claims data, \$213,000 is an obligation from the current system which will need to be covered as of today. Other claims could come in. In addition, there will be a \$156,000 premium increase, so the total for insurance coverage will be about \$1.5 million, which is in part off-set by enrollees' payroll deductions. To clarify: the \$156,000 is the current shortfall, a one-time expense. The \$213,000 is the run-out to cover current claims. So unplanned and un-budgeted (2019) is \$369,000. K. Munroe - we are liable for medical bills (\$213,000) incurred from the previous July through June 30; the bills themselves have the next fiscal year in which to come in.

F. Chmura – how does this impact union contracts? V. Toth – negotiations had to be re-opened with all four unions and were successful. . G. Lessig – what other reserves does the BOE have? K. Munroe – in the healthcare services reserve account on July 1, we had \$783,000. If \$213,000 and \$156,000 are used, that will leave about \$400,000 in the Internal service healthcare reserve account for healthcare costs.

K. Munroe – the BOE hopes the town will allow it to be used to stabilize health insurance costs increases and until all the medical expenses are covered. K. Fitzpatrick – First Selectman Alberts and she, on a conference call with the auditors, confirmed that this contradicts that concept; the funds are only for the self-insured costs and revert to the town when that line item ceases. It is the town's fund. K. Munroe – the auditing firm cannot tell the BOE what to do with the budget. K. Fitzpatrick – we need to refer to the actual health insurance Policy, which has been distributed, which was approved by the town attorney on 05-10-2016. D. Richardson – the BOE is not permitted to have a fund that rolls over from one fiscal year to another, but the town can. All of this discussion ends as soon as the self-funding ends, as when the claims are paid, any remaining balance reverts to the General Fund. D. Richardson – the BOE is not legally allowed to carry funds forward; this is primarily an accounting issue. The bigger picture: this year's expenditures are in excess of what was authorized. Next year, \$18,563,353 is planned but \$18,194,353 was authorized. This is a violation of CGS 10-222 the first sentence of which states: "for the ensuing year, expenditures by the BOE shall not exceed the budget amount approved by the municipality." There is reference to 10-248a as well. The BOF reviewed this matter last July; the Non-Lapsing Funds are not to be used for operational expenses. There was a violation both this year and next year; \$17,282,000 was authorized but \$17,452,000 was spent (FY 17-18). How do we address this discrepancy?

K. Fitzpatrick – the auditor notes this is not a violation, per our Policy. A special revenue account is different, to use for expenditure at a later date.

D. Richardson - there is a \$169,000 shortage in the BOE budget, so they will not be adding to the Internal Services Healthcare Reserve Fund. And the total dollar amount of insurance claims can't be known until this year closes and all the healthcare bills come in. M. Bard-Morse - the \$110,000 that was designated for healthcare, but never put into that account, is being used instead for Special Education. M. Bard-Morse – once funds are in a reserve account, they cannot be taken out or used for another purpose. On June 30, the BOE expects \$87,635 less in the Reserve. The BOE will then need to cover the remainder of the shortfall. F. Chmura – the Internal Service self-insurance fund does not expire on July 1. There is a one-year window for all the bills incurred in FY 2017-18 to come in and be processed. Once all paid, the fund ends and any remaining assets have to be transferred. D. Richardson – it is a problem to wipe out the Non-lapsing to eliminate the 2017-18 BOE's projected deficit, since the reasons for this action do not constitute an "emergency" given that these shortfalls have been known about for months.

If you use the entire Non-lapsing now, \$161,582, the number spent for the year has to be less by \$7,700 or it will be a 10-222 violation, leaving zero for Capital expenses. An even bigger issue is next year: \$18,194,000 was authorized yet the BOE projects spending \$18,500,000. A reduction is needed to keep the spending under the authorized amount. M. Dougherty – the Internal Service Healthcare Reserve Fund is funded within the BOE’s annual budget and funds are expended for healthcare expenses; any unexpended funds are intended for use at a future date. It is actually a shared account with the town and BOE to use for healthcare claims and uses. K. Fitzpatrick – it will be best to adhere to the Policy, specifically page one, where how the BOE can utilize funds is spelled out. D. Fortin – does not see a violation, M. Dougherty – does not see a violation. F. Chmura - confirmed that D. Richardson’s position is in the public record. M. Dougherty – no further action is needed.

C. Approval of BOE Non-lapsing Expenditures: D. Fortin - The BOE wants funds from its Non-lapsing fund to cover the budget deficit; the fund has a balance of \$161,000. K. Munroe – the amount will fluctuate by years’ end. D. Richardson – no legal issue to use the fund, with a balance of about \$161,000. CGS 10-248a allows any use. **Motion D. Fortin seconded by M. Dougherty to authorize the BOE to use up to \$60,000 from its Non-lapsing account to cover the FY 2017-18 deficit, leaving a balance in that account as of today of \$101,582 carried. D. Richardson – nay.**

D. BOE Internal Services Account (Addition to agenda): Previously tabled request – a BOE request for \$50,000 from the town’s Capital Non-recurring account which had been submitted and tabled last month. **Motion to approve the BOE request F. Chmura seconded by D. Fortin,** for the purposes of discussion. There is about \$101,582 remaining in the Non-lapsing account, which is intended for capital improvements or emergencies. The repairs requested include chimney and sidewalk work as well as on the HVAC /Heating systems. D. Fortin – the fund is for capital repairs and emergencies. If the BOF chose to utilize funds from the undesignated capitol non reoccurring fund, will the BOE repay the town after the fiscal year ends? CNR expenditures have to go to Town Meeting. K. Fitzpatrick – the Town’s BOF contingency fund has about \$35,000 remaining. M. Bard-Morse– the simplest approach is for the BOE to use their Non-lapsing account; the BOE will meet tomorrow, June 13, and can address it if the BOF authorizes it. **Motion withdrawn by F. Chmura and by D. Fortin, who seconded. New Motion D. Fortin seconded by F. Chmura to approve expenditure by the BOE of up to \$50,000 from the BOE’s Non-lapsing account to address the capital improvements, as listed in their March 23 letter carried. D. Richardson – nay.** M. Dougherty – in clarification: the first motion for up to \$60,000 was to cover a budget deficit and the second motion was for up to \$50,000 from the Non-lapsing Account to cover capital improvements. M. Dougherty - no other action will be taken at this time

8. Public Comment: P. Schultz - explain plans to defer payment to Woodstock Academy for this year until next year. K. Munroe – yes, tuition at the Academy of \$100,000 will be in fiscal 2019-2020, after negotiations among the parties. P. Schultz – question spending limits procedures

M. Dougherty – claims will come in against the health insurance account and the funds will be disbursed when needed even if the fiscal year changes; this is reasonable as the rate of claims submission is unpredictable.

9. Other from Board: D. Fortin – in light of some things that have taken place in the town hall, perhaps a policy is needed. Specifically, if revenue is generated, through regionalization or other sources, if the town has shared services which results in re-imbursement to the town, a policy should be in place as to how that income will be posted. K. Fitzpatrick –the auditors offered 2 methods of handling this matter: one is to show this income as Other Revenue, which mingles all sources of minor income together, or it could be shown on the Department Head’s salary line. The second was the method selected in the events surrounding the sharing of the building official with the town of Thompson. D. Fortin – funds that are posted in that fashion can then be dispersed without visibility to or input from the BOF. M. Dougherty – some oversight of this income is needed.

K. Fitzpatrick – each department has a budget which cannot be exceeded. Within the budget, the sub- items offer some flexibility as to how the funds are utilized, as long as the department budget total is not exceeded. This is how these matters have been handled for many years. F. Chmura – if that’s correct, the BOF would not need to receive itemized budget proposals. D. Richardson – check the statutes. A department cannot transfer funds from one account to another without coming to the BOF. Keep in mind that the BOF establishes policy. D. Fortin – revenue needs to be split out so as to create some level of oversight. We do not have a transparent process; a policy should be in place for when we “sell” the services of town staff. Revenue should be posted and identified. K. Fitzpatrick – will discuss it with the Auditors, determining how to post this revenue as to make it visible. It was the consensus that this question will be posed to the auditors.

G. Lessig – now that the BOE has gone with the State Partnership 2.0 for their healthcare plan, the time may be right to examine the town’s healthcare plan.

10. Correspondence and Announcements: none

11. There being no further discussion: **Motion to adjourn by D. Fortin seconded by G. Lessig at 9:08 PM carried unanimously.**

Recording Secretary Dorothy Durst

Minutes submitted by David Fortin, Woodstock Board of Finance Clerk

These minutes have not yet been approved by the Board of Finance. Please refer to next month’s meeting minutes for approval of and/or amendments to these minutes. A video recording of this meeting is available on the Town of Woodstock website (see Boards and Commissions/Finance). NOTE THAT THE VIDEO CAMERA WAS NOT PROVIDED FOR THIS MEETING.