

**MIDDLEFIELD BOARD OF FINANCE**  
***405 Main Street***  
***Middlefield, Connecticut 06455***

Minutes of the January 23, 2020 Special Meeting

Jim Irish called the meeting to order at 7:00 pm.

Attendance:

Members

Others

X	Irish, Jim	A	Bailey, Ed
A	Kowal, Melissa		
X	Lowry, David		
A	Nick, Joel		
X	Skelps, Michael		
X	Wolak, Mary	X	Rusilowicz, Al

A=Absent

X=Present

Andrew Switaj and Michele Loso from Seward and Monde were present as were Bob Bascom and Bob Johnson, Middlefield residents, and Dom DeVecchio, from DMIAAB.

The Pledge of Allegiance was recited.

Approval of the Agenda

Michael Skelps made a motion, seconded by Dave Lowry, to approve the agenda, as presented. Motion carried unanimously.

Public Comment

None.

Approval of Minutes from 12/12/19 BOF special meeting

Michael Skelps made a motion, seconded by Dave Lowry, to approve the minutes of the December 12, 2019 Board of Finance special meeting, as presented. Motion carried unanimously.

Old Business

A. FY2019 Audit Report Review - Michele Loso and Andrew Switaj (Seward and Monde)

Michele Loso noted that this is their third year of doing the audit for the Town of Middlefield and reported that there were no issues with the actual audit process. There were a few bugs with the new accounting system, but it worked out overall.

Ms. Loso explained that this year is an unmodified clean opinion of the governmental activities of the town's funds. There were no significant deficiencies or material weaknesses of financial reporting. The management letter included some repeat comments and they will go over that later. No federal audit is required. The town does receive about \$2.5 million in state assistance, with about \$526,000 subject to the auditors' testing.

Andrew Switaj reviewed what is included in the audit package and noted that there was an increase of \$1.5 million in ending equity of the town. Operating results and additional revenues from state grants contributed to this. The town also has good, strong tax collections.

Mr. Switaj reviewed the fund balances, with the general fund ending with a fund balance of approximately \$3.1 million which is an increase of about \$637,000. Each department was very good in following their budgets and there were cost savings within the departments. Al Rusilowicz explained that these fund balance numbers are what they use for purposes of the budget calculations. There is approximately \$2.16 million that is unassigned, which represents about 13 percent of the budgeted expenditures. This is at a good level as of June 30, 2019. Mr. Rusilowicz explained that \$751,000 of that is non-spendable and represents prepaid RSD 13 expenditures.

Some key footnotes that were included in the report were about the pension fund and Michele Loso explained that these are estimates based on actuarial assumptions at a point in time. Mr. Rusilowicz noted that payroll is decreasing, but the liability is increasing. Employee contributions have been increased by .5 percent a year for the next five years and he felt that the town contributions will settle out at about 20 percent. Any full-time employee working 35 hours is automatically enrolled in the plan. Footnote 14 refers to the transfer of funds for the purchase of LED streetlights and entering into a lease agreement for the purchase of emergency and radio equipment.

The budget to actual statements are on pages 46 to 53 and show that tax collections were \$330,000 over budget, intergovernmental revenues were almost \$157,000 over budget and interest earnings were approximately \$65,000 over budget.

Overall expenditures were \$292,000 under budget with many departments seeing cost savings. There was a \$98,000 savings in the DMIAAB budget and Other Professional Services came in under budget. Public Safety was \$97,000 under budget and Public Works saved \$51,000.

Looking at the capital and non-recurring expenditures on pages 63 and 64, the appropriations and expenditures are outlined, including outstanding balances. The capital and non-recurring fund is at \$2.5 million which is an increase of \$477,000 from FY 2018. Project expenditures were \$296,000 which was significantly less than the prior year.

At this point, the auditors asked if anyone had any questions. Mary Wolak asked if the auditors had any suggestions about what to do for the deficiency in internal controls and Mr. Switaj explained that there were no deficiencies.

Michele Loso reviewed the management letter that included a note on policies and procedures. She explained that some items have been addressed, but it is a continuing process and the town should continue to review their policies. Cash procedures and reconciliations of the Park & Rec account have been addressed, though there were quite a few deposit errors on the bank statements and deposits were not being made timely. Jim Irish asked what she would like the town to specifically look at with the capital assets and she explained that there were certain thresholds for capitalizing assets and there should be a process for controlling that. Al Rusilowicz felt that the capital assets policy could be easily updated and also noted that he had rewritten the personnel manual a year and a half ago. The selectmen and counsel will need to review that. He will reach out to TAB for a template for an IT policy and also explained that the town is a little limited in that there is only one commercial bank in the area (TD Bank).

Jim Irish asked about the Park & Rec bank deposits and Al Rusilowicz explained that administrative resources are not available to double-check things and deposits are made in a hurry. They are strictly addition mistakes. He also noted that there is a very clear audit trail as far as credit card payments. PayPal has gone from zero to almost 75 percent of receipts.

Jim Irish thanked the auditors for their proposal for subsequent years and explained that they cannot take action on it at tonight's meeting. The Board thanked them for their hard work.

B. Vote to accept town audit report

Mary Wolak made a motion, seconded by Jim Irish, to accept the auditors' report as presented by Seward and Monde for the fiscal year July 1, 2018 through June 30, 2019. Motion carried unanimously.

New Business

A. DMIAAB Budget Discussion - Dom DelVecchio

- I. New Truck Purchase
- ii. 2019 DMIAAB deficit

Al Rusilowicz distributed a number of proposal and financing arrangements that Dom DelVecchio had provided.

Dom DelVecchio reviewed their year-end numbers and explained that they ended with a deficit of approximately \$27,000. They reduced the towns' contributions last year by almost \$32,000 and that led to the deficit. They also had unanticipated fuel costs and general repairs which were mostly associated with the loader. Once the grinder is paid off next fiscal year, they would hope to visit possibly purchasing a new loader which is over 20 years old. There are currently incentives being offered to purchase new vehicles.

Mr. Rusilowicz added that both Middlefield and Durham had a favorable variance on the DMIAAB line item because of the corrections for the tub grinder rentals and the lowered quarterly assessment. DMIAAB's deficit would have gone away had the towns paid the original amounts.

Mr. DelVecchio reiterated that they do not have any money in the fund balance to carry over to next year's budget. Preliminary numbers are approximately \$197,000 for Middlefield's contribution and he

hopes to have final numbers by next week. Jim Irish asked if the deficit is being made up in the new budget numbers and Mr. DelVecchio stated that it will be paid off but there will be no surplus moving forward.

Mr. DelVecchio went on to explain that every 10 years, they look to replace the vehicles and the lease on the 2010 truck has a final lease payment scheduled for April, 2020. They propose to purchase a 2021 roll-off which will require an initial lease payment in FY 2021. He had obtained three proposals, with Peterbilt in at approximately \$212,000, with a trade-in value of \$60,000, leaving the net cost at \$152,000. Kenworth quoted \$212,000, with a trade-in value of \$25,000. Freightliner quoted \$201,000, with a trade-in value of \$50,000. Mr. DelVecchio also had a proposed financing schedule for a five-year lease payment.

Jim Irish summarized that the net effect of the new lease would be an increase of about \$7,000 per year. He then asked what would happen to the depreciation and trade-in value if they waited a year and Mr. DelVecchio felt that the trade-in value would be lower and there would be an increase in maintenance costs. When he presents their final budget, he will show the actual repair numbers over the 10-year life cycle. Mr. Irish also added that tipping fees will be increasing 11 percent this year. Mr. DelVecchio explained that the \$197,000 number is consistent with numbers from three to four years ago and also includes the additional tipping fees. He also noted that the municipal burn facility will need significant upgrades soon. Mr. DelVecchio did explain that of the total \$500,000 budget, the tip fee is approximately \$250,000.

Jim Irish thanked Dom DelVecchio for sharing the information and is looking forward to the final budget presentation.

B. Review of current-year spending - Al Rusilowicz

Al Rusilowicz stated that there hasn't really been much of a change since the last meeting. He explained that the Computer Network Consultant will be about \$2,500 over budget at the end of the year because of the costs related to the Windows upgrade which was not anticipated. Inland Wetlands Commission will be over budget by \$1,300 in January and litigation is ongoing relative to a violation. The costs related to that are \$2,934 to date and are anticipated to go up another \$3,000 to \$4,000. Board members asked why these costs aren't recouped from the violator, but Mr. Rusilowicz didn't feel that would happen. Bob Bascom explained that the town can ask for remedy at the time of judgment. Inland Wetlands has another project which may incur some costs as well.

C. Move February meeting to Tuesday, February 11 from Thursday, February 13

Jim Irish explained that he will not be here on February 13<sup>th</sup> and he would be happy to have Dave Lowry chair the meeting, but offered to move the meeting to Tuesday, February 11<sup>th</sup>. Michael Skelps is not available on the 11<sup>th</sup> and it was decided to leave the meeting as scheduled for the 13<sup>th</sup>.

Bob Johnson asked why no one asked how many miles are on the DMIAAB truck. When he was the chairman of DMIAAB, they got 400,000 to 500,000 miles on a truck. He felt that a truck doesn't need to be replaced just because it's 10 years old. He agreed with possibly waiting a year. Jim Irish would like to see what the depreciation actually looks like. Mr. Johnson added that not one municipality will sign a 30-year lease with MIRA as it would be cheaper to ship it to West Virginia than to commit to a 30-year lease. He added that there is a lot of staff at the DMIAAB facility and containers are not run full. Mr. Johnson stated that they were told to begin to think about an engine overhaul at 500,000 miles.

Mr. Johnson also explained that DMIAAB never ran at a deficit before and Mary Wolak stated that they had been notified about that in advance. Mr. Johnson stated that that has never been mentioned at a DMIAAB meeting. He did agree that this meeting was not the place for this discussion and it will be continued at the joint meeting.

D, BOE Budget/Referendum Updates

Jim Irish stated that the referendum on the two items for charter amendment is set for February 11<sup>th</sup>. One article gives the Board of Education pure control to establish closing of a school and the other gives the Town of Durham the right to elect their representatives in general elections every four years. He did not have the information about what the incremental costs would be if the amendment fails. Mr. Irish felt that the sentiment in Middlefield is that the first article is not appropriate, but there should be an idea of what the financial implications would be on the mill rate.

Mary Wolak felt that no information has been sent to the public and Mr. Irish stated that he would ask Kim Neubig for the information again. Mrs. Wolak stated that people felt like there wouldn't really be cost savings and that the Board of Education did not directly answer their questions. She felt that the perception is along those lines and they do not have the trust. If Mrs. Neubig supplies the financial information, Mr. Irish will draft a letter about the implications and share it with the board.

Mr. Irish stated that Kathryn Serino recommended that the current Lyman fourth graders move to Memorial next year because if they stayed at Lyman, it will necessitate two additional teachers and there will be capital expenses as well. He also noted that Dr. Serino will be adding at least one additional staff person to the budget for student enrichment and/or accelerated programming. Enrollment continues to go down and will decrease by 200 over the next two years. Mr. Irish was not sure if there will be staff reductions.

Mr. Irish also reported on the district's \$4.1 million energy project with NORESKO. This basically pays for itself in energy savings. There is about \$1 million included in the project that had been in last May's bond issue, so the towns will have to keep an eye on that. They also went to TD Bank Equipment for the lease purchase.

The Board of Education will hold a budget retreat here on Saturday that will be open to the public and the budget presentation meeting is on February 12, 2020. Jim Irish suggested to Bob Yamartino that the Board also have a plan in place for budget preparation should the referendum fail. Mr. Irish noted that he has enormous respect for the superintendent, but her motivation is a little different than the Board of Finance's motivation.

E. Other

Jim Irish believes that the last Public Works position has been filled by Ken Hogan. Mr. Irish reiterated that the tipping fee will increase and, as the budget process begins, Ed Bailey is likely to request some additional help for his office, Al Rusilowicz's office and the assessor's office. The Grand List will be finalized at the end of the month and will go up. They will also go out to bid for fiscal revaluation. Al Rusilowicz noted that the revaluation is in capital, but looks to be short right now.

Mr. Irish noted that a motion was passed in executive session at the Selectmen's meeting that talked about potential pursuit of a settlement with Lightning PC. Al Rusilowicz noted that the settlement will be

covered by insurance and will not cost the town anything. Mr. Rusilowicz reviewed the issue for Michael Skelps, explaining that Lightning PC sued the town and refused to give access to the town's web hosting and email. It turned out that Lightning PC was, in fact, the owner of the domain name and he then sued the town for defamation and that is what was settled. Mr. Rusilowicz stated that the town now owns their domain name.

Jim Irish also reported that the Selectmen agreed to move forward with the potential sale of property that had been foreclosed at 171 Hubbard Street. It will be sold to Habitat For Humanity for the investment that the town has in terms of legal fees and/or back taxes less 6 percent. The house is filled with mold and hasn't had electricity or running water for a long time. The town should receive approximately \$51,000. Mr. Irish felt that this issue will go to a town meeting as a disposal of town property, but Mr. Rusilowicz noted that they have disposed of other town property without a town meeting.

Mary Wolak asked about the additional help at Town Hall and Al Rusilowicz explained that the prior administrative assistant was responsible for answering the phone and accounts payable, with no assistance being offered to the First Selectman. The current executive assistant provides a significant amount of assistance to the First Selectman and splits her time taking care of accounts payable and helping the First Selectman. Right now, no assistance is provided to the assessor. They would like to bring in a part-time person to primarily handle accounts payable to free up Judi Rand to do other things. Mr. Rusilowicz added that Durham has an executive assistant exclusively dedicated to the First Select woman and a Finance Director with a 20-hour-per-week payables/payroll person. Jim Irish thought that this person would assist the assessor as well, but felt that he could be wrong about that. Mr. Rusilowicz stated that the assessor has limited her hours to 19-3/4 hours a week and she cannot get her job done in that time.

Mr. Irish added that Ed Bailey had also commented that over the last multiple years, Middlefield has done a very aggressive job of limiting hours for the people who work for the town and that trend may need to be reversed. Mr. Rusilowicz added that Durham has a part-time person who is split between the Tax Collector and accounts payable/payroll and he would like to see Middlefield move in that direction.

Jim Irish reviewed that Ed Bailey will present his budget at the meeting in March, but it will likely be available for the board members ~March 1st. There was then some discussion about the auditors' proposal and everyone agreed that they do a good job. It was agreed to discuss it at the next meeting.

#### Adjournment

Dave Lowry made a motion, seconded by Mary Wolak, to adjourn the meeting. Motion was carried unanimously. The meeting was adjourned at 9:07 pm.

Respectfully submitted,

Debi Waz

Debi Waz  
Alwaz First