

MIDDLEFIELD BOARD OF FINANCE
405 Main Street
Middlefield, Connecticut 06455

Minutes of the February 18, 2021 Special Meeting via Zoom

Jim Irish called the meeting to order at 7:05 pm.

Attendance:

Members

Others

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

A=Absent

X=Present

Peter Tyc, Michele Loso and Andrew Switaj were also present at tonight's meeting.

Approval of the Agenda

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

Public Comment

None.

Approval of Minutes from 1/14/21, 2/4/21 and 2/11/21 Meetings

Jim Irish made a motion, seconded by Michael Skelps, to approve the minutes from the 1/14/21 and 2/4/21 meetings, as presented. Motion carried, with Melissa Kowal abstaining.

It was agreed to table approving the minutes from the 2/11/21 meeting.

Review of FY-20 Audit Report - Michele Loso and Andrew Switaj (Seward and Monde)

Michele Loso noted that this is their fourth year of doing the audit for the Town of Middlefield; however, this year was a little different in that they never even stepped foot in the Town Hall.

Ms. Loso explained that this is an unmodified clean opinion of the governmental activities of the town's funds. There were no material noncompliance, significant deficiencies or material weaknesses of financial reporting. The management letter included some policy and procedure issues that should be documented and updated, particularly about working remotely. No federal single audit is required. The town does receive about \$2.4 million in state assistance, with about \$1.9 of that for education which is exempt from testing.

Ms. Loso recommended everyone read the Management's Discussion and Analysis on pages 4 through 10 of the audit. These pages highlight the major changes that occurred during the year.

Andrew Switaj started with pages 11 and 12, the government-wide financial statements. Overall, there was a \$622,000 increase in total net position, to just shy of \$16.7 million. This number takes in all operational results and different accounting for capital assets, etc. There was a drop in the mill rate and very strong tax collections, along with some slight increases in different grants. The town did put approximately \$440,000 into capital assets, the largest being the street light project and the purchase of a dump truck.

Mr. Switaj reviewed the fund balances on pages 13-16, with the general fund ending with a fund balance of just shy of \$3.5 million which is an increase of about \$345,000. There was a significant decrease in the school district budget and its proportion to the town. There were also overall departmental savings, even with excess costs due to COVID. There was a significant increase in capital outlay expenditures. The unassigned fund balance is healthy, just shy of \$3.2 million, and is about 19 percent of budgetary expenditures.

Footnote 8, on page 37, talks about communications equipment that was acquired by a capital lease for \$325,000 last year. This is the only capital lease at this time. Looking at footnote 10, on page 40, this is the discussion about the Connecticut Municipal Employees Retirement System and the town's liability for that. Page 46 contains two very current additions, including a discussion on COVID-19 and its impacts on the town. Initially, the impacts were remote working, shutdown of schools and town buildings and the acquisition of PPE and other items. No one knows the entire breadth of this year, and they feel the effects will continue for another year or two, and some may become permanent. Footnote 14 addresses subsequent events and includes the storm that came through in August, 2020 which was declared a disaster and a reimbursement request was submitted to FEMA.

The budget to actual schedule shows that tax collections were over budget, the ECS grant came in \$101,000 over budget, interest earnings came in over budget, and the revenue side was over in total.

Overall expenditures were \$353,000 under budget, even with the effects of COVID. The Resident State Trooper line was under budget, Public Works had a large savings of \$94,000 and several other budget line items were underspent.

Looking at the details of the capital and non-recurring fund on pages 64 and 65, the appropriations and expenditures are outlined, including outstanding balances. The capital and non-recurring fund is at \$2.86 million. Project expenditures were a bit lower this year than last.

The auditors then opened it up for questions. Jim Irish noted that the auditors had suggested that they identify a threshold for capitalization last year and asked if that was the same concern this year. Michele Loso agreed, and also suggested that they track smaller capital assets as well. Mr. Irish asked if they

could possibly provide a template from another town that does that, and Ms. Loso felt that they could find one. Mr. Irish asked if the auditors could supply a template for information technology as well.

Melissa Kowal thanked them for the wonderful job. Jim Irish added that he will try to compare the audit from year to year to see if there are any systemic variances, and Ms. Loso agreed that would be a good idea that could help with budgeting.

Vote to accept audit report

Jim Irish made a motion, seconded by Mary Wolak, to accept and approve the auditors' report as presented by Seward and Monde for the fiscal year July 1, 2019 through June 30, 2020. Motion carried unanimously.

YTD Revenue and Expenditure Variance Analysis - Al Rusilowicz

Jim Irish had sent the variance analysis to everyone. Al Rusilowicz explained that the town should be at 58 percent at this point and there are only one or two exceptions to that. Everything has been discussed at prior meetings. He added that he believes that tax collections have hit 100 percent of what was budgeted. Mr. Rusilowicz also reported that they have taken foreclosure action on a few properties and the town will probably acquire some of them. He believes that two of the property owners intend to pay the back taxes. Mr. Rusilowicz added that Ann Olszewski has submitted her budget and they will likely go back up to 99.5 percent tax collection. Also noted was that "back taxes owed" continues to decrease.

Dave Lowry asked about storm-related expenses and felt that the YTD looked low. Mr. Rusilowicz explained that it is low, but anything processed by January 31st was included in that number. He felt that it may go up quite a bit, but doubts it will hit \$60,000. They also discussed that Jason Wickham is managing the department really well, and it has been working out well with the contractor for snow removal.

Review of MVFC Grant Application Status - Chief Peter Tyc

Chief Tyc had to leave the meeting to respond to a fire call, but Al Rusilowicz reported that they did get the grant submitted on time. Jim Irish noted that Chief Tyc had wanted to talk to them about a number of grants, but they will ask him to come back for another discussion.

First Selectman's Report - Ed Bailey

Ed Bailey was not able to attend tonight's meeting.

New Business

A. Review RSD13 Superintendent's Budget Proposal

Jim Irish went through the presentation that Dr. Schuch and Mrs. Neubig gave to the Board of Education. He reviewed that the challenge is the fund balance for this year. Overall, the gross budget is down a little less than 1 percent, but the net budget is up 3.66 percent. Mr. Irish added that the full budget presentation is on the district's website, under the Business Office website. Salaries are being budgeted at 96.5 percent this coming year, as opposed to 95 percent in FY21. Revenues are down, primarily due to the fund balance, and the fact that Mrs. Neubig is not proposing to use any fund balance this year. Mr. Irish explained that there is only \$384,282 available for FY 2022.

Jim Irish reviewed that Mrs. Neubig had budgeted health insurance at a 16 percent increase which is a substantial increase. Al Rusilowicz noted that they had a meeting last week, and they do not have a hard number yet. They have received a couple of no-bid responses. Connecticare is still at a "not to exceed 19

percent”, and they are hoping for lower. The debt service has been reduced, and the school budget is proposing a reduction of three full-time employees.

RSD13 continues from FY21 into FY22 with contract negotiations, energy conservation projects, purchasing through a consortium and using grant funds. Mr. Irish then reviewed capital expenditures, including turf replacement, classroom furniture, building maintenance and a pump house. He explained that the district is limited by state statute to allocating 1 percent of their total budget to capital reserve. The Board of Education is hoping that that statute changes.

Looking at debt service, Jim Irish explained that some projects had to be delayed and the debt service is feeding in slowly as they actually accept the funding. If Lyman school were to stay open, there would be a huge increase, mostly in capital needs. Mr. Irish then reviewed the budget history over the past several years and noted that it is the highest, but not by much.

Mr. Irish then showed the per pupil costs, and explained that the district is still above the DRG and the state average. He then reviewed the town allocations and noted that Middlefield will be allocated net costs at 33.26 percent, or \$11.9 million. Al Rusilowicz asked Mr. Irish to send him that page of the presentation. Mr. Irish reiterated that the full budget is on the district’s website if anyone would like to dive in deeper.

Jim Irish also explained that the Board of Education’s Finance Committee will meet next Monday and the budget is on the agenda as is the 10-year cost projections for continuing to run Lyman school vs. several options for shutting it down.

B. Discussion of Middlefield FY22 Budget Priorities/Issues/Considerations

Mr. Irish had forwarded DMIAAB’s initial proposed budget to everyone, with the total budget expected to go up about \$45,000. Middlefield’s expenses are proposed to rise \$12,000, to \$174,000 total. DMIAAB’s board will meet next week to finalize their proposal. Al Rusilowicz stated that DMIAAB would like to meet with the two Boards of Finance on March 16th at 6:00 pm. Tipping fees have increased. Mary Wolak stated that people are concerned around the situation in Hartford and the amount of money needed to fix that. Dave Lowry asked how much more they had received on stickers. Jim Irish felt that they may have lost some customers with the increase, but noted that they received \$96,500 in 2019-2020 and the proposed budget this year was \$152,000, with \$127,000 received through October.

Jim Irish also mentioned that he and Michael Skelps are going to meet with Ed Bailey, Al Rusilowicz and Jason Wickham to discuss capital. The First Selectman will present his budget proposal at the public hearing on March 11th. Mr. Irish also noted that, at the last Selectmen’s meeting, Ed Bailey had commented that the unallocated fund balance was pretty healthy and mistakenly said it was over 20 percent. Bob Yamartino commented that he thought that meant that the town could handle a 3 percent increase in the school budget easily, though he may have been joking. He also said that that could make the taxpayers feel that the town should give it back in the form of a reduced mill rate. Mr. Yamartino also suggested that some of the undesignated fund could be put into a specific capital item for replacement of the fire house. Mr. Irish explained that the Board’s policy states that the undesignated fund should be within 12.5 and 17 percent. Mary Wolak reminded everyone that they had been concerned about COVID costs when preparing last year’s budget. She would have no problem with allocating some of that to capital. Mr. Irish felt that it was pretty clear that the FY21 budget had been conservative, based on the uncertainty of the future.

Another item that came up at the Board of Selectmen meeting was that the Augur property on the corner of Mack Road and Jackson Hill Road is coming up for sale, and Ed Bailey is looking to put in a bid for the town to purchase it. He felt that the price point is relatively low at less than \$200,000 and the opportunity to get property adjacent to town property virtually never comes up. Melissa Kowal stated that she heard the property was sold for \$138,000 before a sign even went up. Al Rusilowicz stated that

he had not heard that as of yesterday. Mr. Irish felt that it may be able to be a lump sum payment, but the deal would have to be approved by the Board of Selectmen, the Board of Finance and finally, a town meeting.

Mary Wolak understands the premise of grabbing the land at a good price, but wondered what the plan would be for that property. She wondered if they were looking to expand Town Hall. Michael Skelps felt that they should be open to whatever the plan may be, and give everyone a chance to explain it. Dave Lowry stated that 1 percentage point reduction to the undesigned fund would be \$181,500. He felt that you could shave \$500,000 off the fund balance and still keep a 16 percent balance. Al Rusilowicz confirmed that the undesignated fund is currently at \$3,171,000 which represents 19.17 percent of the fiscal 2020-2021 budgeted expenditures. Mary Wolak summarized that she doesn't feel anybody would be against using the surplus for the major capital items

Melissa Kowal explained that the Fire Department Building Committee is meeting next week for the first time. Jim Irish asked if the Town Planner was part of that committee, but Mrs. Kowal stated that she did not know the members yet. Alice Malcolm, Paul Pizzo and Kevin Boyle are all known to be on the committee. Mr. Irish felt that perhaps the Town Planner should be on that committee. Mrs. Kowal felt that the additional property on Jackson Hill Road may be good, because it could potentially provide an additional exit from the town's property. Mrs. Wolak also suggested they add something about roads as well to the capital set-aside in FY22.

Al Rusilowicz mentioned that the governor's first pass at his budget maintained the Town of Middlefield funding as flat, meaning no proposed reduction in funding vs. FY21.

Jim Irish reviewed that the public hearing will be held on March 11th, and the Board of Finance will begin workshops shortly thereafter. Al Rusilowicz also reminded everyone that this is a negotiation year for both union contracts. He added that the Town of Durham has asked their unions to extend the current contracts for one year and that might be something to consider. Mrs. Kowal corrected herself and stated that the date of the Fire Department Building Committee meeting in Wednesday, February 24th at 7:00 pm.

Adjournment

Mary Wolak made a motion, seconded by Melissa Kowal, to adjourn the meeting. Motion was carried unanimously. The meeting was adjourned at 8:49 pm.

Respectfully submitted,

Debi Waz

Debi Waz
Alwaz First