



BOARD OF ALDERMEN
SHELTON, CONNECTICUT
FINANCE COMMITTEE MEETING MINUTES
TUESDAY, NOVEMBER 27, 2018

Call to Order / Pledge of Allegiance

Alderman Kudej called the Finance Committee meeting of the Board of Aldermen to order at 6:30 p.m. All those present stood to pledge allegiance to the Flag of the United States of America.

Roll Call

Alderman Stanley Kudej, Chairman – present
Alderman John F. Anglace, Jr. - present
Alderman Anthony Simonetti - present

Also in attendance:

Administration:

Raymond O’Leary, Treasurer
Paul Hiller, Finance Director
Lynne Piscitelli, Assistant Finance Director

PUBLIC PORTION

Alderman Kudej invited members of the public to speak.

There being none, Alderman Simonetti moved to close the public portion.

SECONDED by Alderman Anglace. A voice vote was taken and the MOTION PASSED 3-0.

1. MINUTES FOR APPROVAL

Alderman Simonetti MOVED to waive the reading and approve the following meeting minutes:

1. Regular Meeting – August 28, 2018

SECONDED by Alderman Anglace. A voice vote was taken and the MOTION PASSED 3-0.

Minutes can be viewed on the city website: www.cityofshelton.org

2. REVIEW OF FISCAL YEAR 2018-2019 BUDGET

Alderman Anglace: The purpose of putting this on is to quickly look at the revenues and expenditures. This is as of November 7th so it's roughly four months in to...

Paul Hiller: This takes in payroll to; second payroll is not included in the November run.

Alderman Anglace: I went through the expenditure side and there are not many over expended accounts. There are very few and it being so early in the year I don't think it's significant to review each one of them.

Paul Hiller: I would like to say that there are some annual changes because people are classified as part time and their salaries are really full time, such as Conservation and areas like that. I am growingly concerned about one area which I talked to John about briefly. If you turn to the second page and look under Group Insurance, those are figures obviously through the end of October, basically one third of the year. If you do some quick arithmetic on that, if the expenditures are to continue at that rate, we would be spending approximately \$3,777,000 which is significantly over budget.

Alderman Anglace: About \$600,000 over budget.

Alderman Simonetti: Why are we budgeted so short for that?

Paul Hiller: That line had historically been \$3 million for several years. It's up to \$3.1 million and last year we spent about \$3.25 million. To show you what's happening, and this is only one component but is the major component, are our bills to Anthem, who is the primary provider for medical insurance for the city. I ran a comparison from November to November, as you can see we are running some 32% higher in that column. That's a problem. Now one of the cushions we have here is that two years ago we set aside a medical reserve account by taking half a million dollars and that is a dedicated account.

Alderman Anglace: This reserve account, is this just for the city or is it for the Board of Education as well?

Paul Hiller: Just the city. The Anthem part is just one component, but it is the biggest component obviously. This does not include prescription drugs. This does not include some other minor costs that get thrown into that. The city retained the third-party company now under the name of Saisystems, which is located here in Shelton, to assist with major medical care and stuff like that. The other thing is this is one cost over which we basically have no control.

Alderman Anglace: Yes, there's not much you can do about it. It's experience rated.

Paul Hiller: Well, the stop loss policy is experience rated. The actual claims are the experience of the employees who are covered by the insurance. So that's where that is.

Alderman Anglace: It's something to be aware of but there isn't much we can do about it. We can't tell people not to be sick.

Paul Hiller: I am just trying to bring it to your attention.

Alderman Anglace: What you are saying is important, not only for the Mayor to know, because the Mayor initiates the budget, and that's got to come from him. You are in the developmental process there, so you will make him aware.

Paul Hiller: We will be sitting down with Smith Brothers, who is our advisor and who monitors the Anthem items.

Alderman Anglace: I don't think it's anything to be alarmed about.

Alderman Simonetti: If you go to page 4, something sticks out to me here, it's the first account on the page, \$300, expenditures \$60 and there is a \$15 negative balance? How do we get there? Everything else looks good, but I assume this is a typo?

Paul Hiller: I will check with the Registrar's Office.

Alderman Anglace: Paul, go back to the Revenue side, the ones that are negative, am I correct in assuming that we got more money than anticipated?

Paul Hiller: The first one you see is Statutory Refunds. Those are the tax refunds where people have overpaid taxes. We have a negative figure of \$149. Likewise, suspense collections, these are tax accounts that had been placed there by the Board of Aldermen but we have been able to collect through the efforts of the tax

office, state marshals and a collection agency that we have been using to collect taxes that were significantly due and as such had been written off. We don't budget anything for that because there is no guarantee in getting it.

Alderman Anglace: Let me point out a few things. If you look up at the top, the column names, can we rename them? I don't think the names reflect what's in the column. The original budget yes, adjusted budget yes. That's okay. Here it says, "Year-to-date Expending", no, we are not expending on the revenue side. So, let's rename that and the balance. That will keep me from getting mixed up when I see that. If you look on page 2, there is Energy Rebate, \$205,000, can you explain what that was and will it grow?

Paul Hiller: That was a rebate on the project at the community center from United Illuminating Company. Since last week, there has been an additional \$67,000 that was received from Eversource that will go into the same account. When you go back to your minutes when that project was approved for close to \$700,000, there were indications that there would be rebates from the utility companies, which there has been, so we have received back \$272,000 in rebates. I don't believe we are going to be getting anything more back.

Alderman Anglace: That's a considerable amount of money. Those are the comments I want to make on that.

3. RECONCILIATION UPDATE

Ray O'Leary: We have the report here on the quarter end 9/30. It has vastly improved. I am going to ask Lynne to go over it with me. We have also added some detail as you can see in the attached in terms of checks that are over 90 days old. That shouldn't be handed out. The four reports that you are going to be seeing, we are in the process of revamping a couple. At these quarterly meetings we are going to have a recap of all the depository accounts that are in the city's general ledger is Schedule A. We are also working on Schedule B, which is the Board of Education. Some information is in Lynne's report and then Paul's report. The third part of that would be the over 90 days. Anything on a bank reconciliation over 90 days old in terms of a check is very suspect. It could be an issue where a check is lost. It could be issues by someone else with a different name. It could be a lot of situations in there that need to be cleaned up. Lynne is working on making a list of all of our accounts. Anyone of these accounts on Schedule A that is over 90 days old will appear on this report by account name and also the check. Right now, these are the only ones so far that are 90 days old. I will turn this over to Lynne.

Lynne Piscitelli: All the city accounts are updated through September. That's on Schedule A. We are currently working on October.

Alderman Anglace: This summarizes A?

Ray O'Leary: It summarizes her whole report which she included.

Lynne Piscitelli: I was talking about this report for the moment. We started looking at all the payroll, outstanding checks. First we went through them to see if there was anything we could identify and then we sent letters and are in the process of getting letters back from people verifying that these checks were never cashed, that if they do turn up at some point they are no longer entitled to them and we are going to replace the funds. We actually did get the funds back from the payroll company and they are actually sitting in a liability account and as we get return letters from them we will be reissuing the checks out of that account. Then we started working on the accounts payable accounts, which is that whole first page, we identified where they are from and we are in the process of sending out letters. What I did is I went through the bigger items. If we had a larger amount, if you look at the 6/30 report to Santa Buckley, after all kinds of research with Santa Buckley, they determined that we don't owe them any funds. So we wrote that check back in. Some of the bigger accounts such as the Trumbull Police Department, they found a check in their office which they had never cashed. So they cashed that. A few other phone calls were similar. So, some of the bigger items are gone if you look at the 6/30 report.

Ray O'Leary: The far column that says Department Heading, there is going to be a new one that says: 'Status of What Happened to It' or call it 'Solution' or 'Resolution'... whatever you want to call it. There is where you would put what happened to that check. Right?

Lynne Piscitelli: Yes. If you look at the Payroll Heading, I put 'letter sent' on the payroll side. So you can see that a letter went out.

Ray O'Leary: When it's off, you will put something like "off" or "still remaining" and list whatever you did to get it off.

Lynne Piscitelli: If they are off by 12/30 do you want to continue on? So you don't want the ones removed that were resolved?

Ray O'Leary: We want to leave them on for one quarter and say the status. That's all, so they are gone.

Lynne Piscitelli: Okay. The Board of Education, Paul and I met with the Board of Education and we had found some reconciliations that used to be done with the previous director, so we are working with them to get the information that we need to start the reconciliation process with them. They have been providing some information and Katherine Araujo has been trying to get what we want out of it. They have been cooperative.

Paul Hiller: Yes. They have been cooperative. We are well aware that there is a transition going on. The Finance Director has resigned, departing in five weeks. They are hopefully announcing a new Finance Director tomorrow night and I look forward to working with him and to accelerate the process.

Ray O'Leary: Let's start with June 30th. These are numbers they have. That's the balance in those accounts. There are seven accounts totaling \$25 million.

Alderman Simonetti: Wells Fargo we need to collect money or not?

Paul Hiller: We haven't been putting any money in. The only major account that remains at Wells Fargo is a Board of Education account that also requires notification from the state controller's office because there are significant funds deposited in that account. It's the Board of Education Grant Account from Wells Fargo. I met two weeks ago with Ed Drapp, Kathy Araujo and the branch manager from Newtown Savings Bank, whom we have developed a relationship with. They have two branches in town here, one on Bridgeport Avenue and one in White Hills. The account is moving to Newtown Savings Bank. The state will have to do a trial deposit, but there are significant funds that go into that account. That's one account that they do reimburse the city out of. Currently it has a balance in excess of \$1.5 million.

Ray O'Leary: I can tell you where we are with the Board of Education, and Paul you can add to this. We are nowhere. We need to get a meeting with the Superintendent, the new Finance Director, Lynne, Paul, maybe John and I...we need them to meet with us and fill out Schedule B themselves. It's that simple. We put it together, it's all there. All their accounts are listed. They need to verify it. Also, in here, you can't put SHS staff on as a reconciler. You need to put a name. Lynne has made a very good attempt to talk to the Board of Education

Paul Hiller: Lynne and I had a meeting with them about three weeks ago. Like I said, I had another meeting with them two weeks ago with the bank, to get the paperwork started to move that grant account out of Wells Fargo to Newtown Savings.

Ray O'Leary: The meeting I am talking about is specifically about this report. Lynne has worked on this report, typed it in, it's an outline that we can take to them and have them fill it in. They need to do this. If you look at some of these, the Mayor, the City Treasurer is on them but we don't know what the balance is nor do we know if it's reconciled.

Alderman Simonetti: Paul, can you call them tomorrow and get a meeting set up as Ray is suggesting?

Paul Hiller: Lynne and I have had a meeting with them. I think the difficulty right now is that they are clearly in transition and I don't know when Belden is starting.

Alderman Simonetti: But this is just filling in the blanks.

Alderman Anglace: We will get to setting up the meeting. The first step was to get ourselves organized and know exactly what's going to produce the results we want. Now the preliminary meetings with the Board of Education that Paul and Lynne have had, those meetings gave them a heads up. Like Ray said, the next step is going to be sort of a 'key players' meeting just to tell them what we've done, how we've organized it and what we want them to do. When we finish this discussion here, bring out next year's budget information.

Ray O'Leary: We need Mr. Clouet there.

Alderman Anglace: We want him to be part of it so his office is responsible. The buck stops there. He doesn't have to be part of the day-to-day activities. We need him at that first meeting so he understands what were asking for and what we expect.

4. DISCUSSION OF BOE ECS GRANT APPLICATION

Alderman Anglace: I put this on so we are all aware that our revenue side of the budget is going to be short \$119,000 because \$119,000 of the \$5.4 million we were earmarked to get has gone to the Board of Education directly. It was not in their budget and as you can see from the documents attached to this it has to be spent for Title 1 expenses. So, they have very specific expenditures with which they can spend the \$119,000 and it may, not will, may, free up Title 1 monies for them which is Special Education. If that's the case then they are going to have that \$119,000 to apply to other areas of their budget such as Pay-to-Play. That could be one of them. I don't know what they are going to do but I want to make everyone aware. We are going to be short in our budget \$119,000 on the revenue side. The question I have is, should we write a letter to the Superintendent of Schools asking how much they received and specifically how it

was spent? I think we have a right to know that information and we should go on record as requesting this information.

Anthony Simonetti: I second that.

Alderman Anglace: Once he says it was spent for Title 1 then the next question will be, did this \$119,000 free up any money from that account? It's just information. I am not pointing the finger or accusing anybody. It's just so we have an idea because that money normally came to us to reimburse us for the money that we give them.

Paul Hiller: We got shorted. On October 30th we received one quarter of our ECS Grant but it was less \$119,146.

Alderman Simonetti: That money went to the BOE directly? Do they have it?

Paul Hiller: The \$119,000, the BOE can't find it. They have talked to the state. I last talked to Ed Drapp about a week and a half ago and I was told that they have received no notification that the money is coming. I have not heard that it's coming. Not every town qualifies for this. First off you have to be a town or city in excess of 20,000 in population, so that knocks out any number of towns. The closest town that qualifies for it is Norwalk.

Alderman Anglace: Wouldn't Stratford qualify?

Paul Hiller: I did not talk to Stratford. I should. I talked to Norwalk and they haven't received it either but they got shorted from their ECS Grant by a much greater amount.

Alderman Simonetti: Why would you call another city and not call the state directly?

Paul Hiller: Sometimes when you call the state you don't get a response.

Alderman Simonetti: This \$119,000 going to the BOE, no one seems to know where it is?

Paul Hiller: It's out there. It's not showing up in any account.

Alderman Simonetti: Same amount?

5.DISCUSSION 2019-2020 BOE BUDGET SUBMISSION FORMAT

Alderman Anglace: I put that on because what we want to communicate to the Board of Education and I am going to say this carefully so it appears in the minutes. We want them to submit their 2019-2020 budget to us in a spreadsheet showing each account by department, account name, original amount showing transfers in and out as the year progresses and the amount at the end of the fiscal year. This way we can capture where they started and where they ended up. That will provide us with information that shows us where they spent their money and would be helpful from year to year in making sure we appropriate enough money to get them through the year. I think this is another thing as the result of the Finance Committee we ought to send a letter to the new Finance Director. I don't know how we want to handle it. We have to get this information to them.

Ray O'Leary: Don't they have to respond in a format required by the City's Director of Finance?

Alderman Anglace: Yes. Only the Director of Finance can order this.

Ray O'Leary: There are two different systems.

Paul Hiller: Yes. Two different software systems.

Ray O'Leary: Well the way yours is, it's pretty simple.

Paul Hiller: I believe the difficulty is that what they have to submit under state statutes is one number. The question is the backup that creates that. That's what you are looking for.

Alderman Simonetti: Going forward you want the 2019-2020 budget proposal done in spreadsheet form. How will they give you transfers if they haven't done that? Don't you want last year's 2018-2019 spreadsheets first to see where things are?

Alderman Anglace: I alluded to our format and our format at budget time shows the data as Anthony suggested for the prior year and where they ended up with their prior year. That would certainly be helpful for them to include. The irony of this is that the Charter allows the Finance Director, not the Board of Aldermen or anybody else, but the Finance Director to determine the format for how their budget should be submitted.

Ray O'Leary: You have a format that you use on the city side, that is all we are asking from the BOE.

Paul Hiller: I think the key numbers you are looking for basically, obviously, because they are starting to work on their budget now, we will start in a couple weeks. Now it's not submitted until mid-February to the Mayor but the wheels are turning over there. They have asked me some questions and some costs already. I think what you are looking for is what they spent in the previous year, last year, June 30, 2018, and what they have spent year-to-date through December 31st, a six-month figure and then what their request is for next year. The big variable in here is their Special Education which goes all over.

Ray O'Leary: It's almost impossible to budget for that.

Paul Hiller: It's very difficult to budget for that because they get kids who move into town and we are responsible to pay for that child until age 21 for private school or whatever. Some kids are even out of state. Also, I think one of your concerns, and every town in the state is concerned with this, is the transfers that occur.

Alderman Anglace: Absolutely! My point is this. Here is what prompted all this. Last year when we received the BOE budget, we formed a subcommittee and met maybe eight times to try to figure out what they had done and believe me, we had some pretty astute people trying to figure it out and maybe we figured it out, and maybe we didn't. We have to get a format that is consistent with our city format. That will allow us all to be on the same page when reviewing budgets and then we can make some informed decisions. I think this may end up being a starting point, not an ending point. We may improve and we may change it but that's okay, we will go forward. Everyone sitting around this table has the same concerns the Board of Education has. We want to provide adequate monies to educate the children. Nobody wants to sell them short. When we look at it in the format that they present to us, it's totally confusing. We are dealing with very nebulous numbers and concepts.

Ray O'Leary: I think what we are asking for is very simple and it's been presented very nicely by Paul and he can say, 'Here is the way I want it.'

Alderman Anglace: I think this discussion regarding the Board of Education budget submission can only convey to them that under the City Charter that our Finance Director has the responsibility to determine the format. Paul, we want to be sure that you do that and in the format that we are suggesting or as close to it as possible.

NOVEMBER 27, 2018

BOARD OF ALDERMEN
FULL BOARD MEETING

Paul Hiller: I can do that.

ADJOURNMENT

Alderman Anglace MOVED to adjourn; SECONDED by Alderman Simonetti. A voice vote was taken and the motion passed unanimously.

The meeting adjourned at approximately 7:30 p.m.

Respectfully submitted,

Theresa Adcox

Theresa Adcox, Clerk
Board of Aldermen