



Board of Aldermen
Shelton, Connecticut
Special Finance Committee Meeting Minutes
Tuesday, January 28, 2020

Call to Order / Pledge of Allegiance

Alderman Simonetti called the Special Finance Committee meeting of the Board of Aldermen in Room 104 at City Hall to order at 5:30 p.m. All those present stood to recite the Pledge of Allegiance to the flag of the United States of America.

Roll Call

Alderman John F. Anglace, Jr.
Alderman Anthony Simonetti

Administration:

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

Board of Education:

Rick Belden, BOE Finance Director
John Fitzgerald, BOE Finance Sub-Committee Chairman
Carl Rizzo, BOE Finance Sub-Committee Vice-Chairman

Public Portion:

Dave Gioiello: Michelle Laubin sent a letter to the Finance Committee mentioning a number of items were overdrawn including \$20,000 for elections, \$16,000 for Planning & Zoning, \$15,000 for Conservation Commission, and \$26,000 under the LOCIP Projects Account line item. I would hope that the Finance Committee of the Board of

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Aldermen would address this seeing that you are the fiduciary responsibility folks for the city. Thank you.

Alderman Simonetti asked if anyone else would like to speak. Being none, he closed the public portion.

1. MINUTES FOR APPROVAL

SPECIAL FINANCE COMMITTEE MEETING – DECEMBER 10, 2019

Alderman Anglace MOVED to waive the reading and approve the following Special Finance Committee Meeting Minutes of December 10, 2019.

SECONDED by Alderman Simonetti.

A voice vote was taken and the MOTION PASSED unanimously 2-0.

Alderman Anglace: I would like to comment on these minutes. These minutes of the December 10th meeting, I am sure everyone got them, and hopefully everyone has read them because they mirror what we are about to talk about tonight. Unfortunately, Rick Belden couldn't be at that meeting as he had a conflict but many of the things we talked about we are going to talk about again tonight. I have an extra copy of the minutes in case anybody didn't get them. I am not going to read them, but the details, and I have them all highlighted, the details are significant. I bet when we go through this agenda, we are going to make the same comments we made in December. That is all I will say about that.

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

2. POLICY FOR FACSIMILE SIGNATURE DEPOSITORY ACCOUNTS

Ray O’Leary: I just thought that we have facsimile signatures and having a background in banking, especially supporting banks and their policies and procedures, this is a major policy of a lot of banks here which appears on our city’s account reconciliation, the account cards that you sign. There are some important issues in here that we should have a policy on. I am not sure if we have one.

Alderman Anglace: What you have written is the policy?

Ray O’Leary: No. What I have written are some ideas and considerations that I believe should be in the policy.

Alderman Anglace: What you asked for was a written policy?

Ray O’Leary: Yes. We are going to need a written policy if we don’t have one. We don’t have one.

Alderman Anglace: Okay, so none exist at the moment?

Ray O’Leary: No, and I am going to give you some reasons why I think we should have one and it’s certainly up to the Board of Aldermen and the Mayor and what I think should be included. First off, Bank Facsimile Signature (FCB) Accounts differ greatly from a standard account as many security and risk management issues become relevant. Bank’s agreement (s) state that the city agrees to hold the bank harmless regarding claims, damages, fraud, legal costs as well as injuries the bank suffers associated with this type of account. Lawsuits look for deep pockets. Banks offer internal security options (blocks and filters) that are designed to protect against ACH fraud and unauthorized transactions, an exception report is generated when these transactions occur. Banks have the right of offset or setoff of any city funds on deposit in other accounts to offset any losses or fraudulent transactions or activities on FCB

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accounts. This access by the bank places significant security and risk management issues on the city. Banks require timely changes when official signor(s) are changing (i.e.: death, retirement, election results as well as any unauthorized use, etc.). The city retains full responsibility for the security of all related checks and associated devices utilized with this type of account (ex: e-signatures, imprinting, engraving, rubber stamps and the possibility of utilizing a manual signature, etc.). The city's bonding coverage should be considered and should be equal to the exposure levels of offering FCB Account Signatures, these signatures should be treated as cash. The city must state that FCB check signing is not authorized for the following transactions (ex: bonding, loans, contracts, purchase orders, etc. etc.). The city will have a policy/procedure regarding FCB accounts, employee, officials use as well as penalties for illegal or unauthorized use. Also, include a process to contact law enforcement when the situation should arise? It's important to have this policy as the bank points fingers and luckily we haven't had any yet, that I know of.

Paul Hiller: We had a situation four or five months ago with three or four ACH transactions in to Board of Education operating account.

Ray O'Leary: Was it caught by the bank through its filters and blocks?

Paul Hiller: I caught it. I caught it that morning and called Kathy. I think as a result from past history here, I spend an inordinate amount of time just reviewing the accounts. We don't want a fool me once, shame on you, fool me twice, shame on me issue.

Ray O'Leary: I agree. The bank also has blocks and filters which I had mentioned briefly.

Paul Hiller: We have some of those in place with the banks such as ACH Blocks.

Ray O'Leary: They may not all be turned on and we may be able to turn some on.

Paul Hiller: Right. In this particular case, it was a fairly significant amount of money, with three or four ACH transactions that hit. We never got a full explanation of how it got

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there but they pulled it in that day. It was reversed. There also was a situation that predates Lynne, myself and Rick. They copied checks, again out of the Board of Education account. It happened of all times about 2:30 on Christmas Eve. There was a criminal investigation that included the FBI and State Police but again we recovered all the funds.

Alderman Anglace: I have a question, who is going to write it?

Rick Belden: I recommend GFOA (Government Finance Officer's Association) which may have a sample policy that we can get some ideas from. You could probably get a copy which could give some guidance and run it by Corporation Counsel and whoever else needs to look at it.

Alderman Anglace: True. We don't need to reinvent the wheel. What's a reasonable time frame here?

Rick Belden: Paul, do you have any contacts with GFOA? You should be able to get one right?

Paul Hiller: Yes. I haven't really looked for it but I think that's a great point to start with.

Alderman Anglace: Do we need to have a separate one for the BOE and City?

Paul Hiller: No.

Alderman Anglace: Can you two guys take the responsibility to write it?

Paul Hiller: I will take the lead.

Rick Belden: We will work together on it.

Alderman Anglace: Can we expect that next month so we can approve it?

Paul Hiller: I don't know if we could put a policy together by then.

Rick Belden: We can try and start looking at some things and get a target.

Alderman Simonetti: Maybe a rough draft for next month?

Rick Belden: Yes.

Ray O'Leary: It doesn't need to be elaborate.

Alderman Anglace: We've got to have a starting point.

3. REVIEW OF MONTHLY BUDGET

Alderman Anglace: Dave, you are going to like this. The budget was reviewed last month. This is the third month we are doing it. Dave, the numbers you threw out earlier of \$92,000 are overstated. That's not what it is. We are not going to focus on the number. We are going to focus on the specifics. Now Paul, I believe you have the latest run here which is January 28th.

Paul Hiller: Correct.

Alderman Anglace: By the way, on the run, you see a column all the way to the right that is a percentage column, that's coming out.

Lynne Piscitelli: It's out.

Paul Hiller: It was removed today per your request.

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Alderman Anglace: If you go through here, there are 18-line item accounts that need discussion. They run from \$25 to some high numbers. They need discussion which can only take place by going one by one, line item by line item and getting an explanation.

Paul Hiller: I have an updated list here if you want. In reply to Mr. Gioiello's comments, there are really two cases, Conservation and in P&Z, there were cases where employees were improperly, from a payroll standpoint, they were improperly listed in part time, in Conservation and two employees in Planning and Zoning that were put on provisional full time basis as of September 7th or 8th. Those variances have been adjusted. Those were fairly significant items in the \$15,000 to \$20,000 range.

Alderman Anglace: Let's work off your list. Go ahead Paul.

Paul Hiller: Environmental Services which is the Mayor's Administrative Office Account, we budgeted \$7,500, a fee came through from CCRA for \$9,000. Basically, this is an annual fee and we put in a wrong budget amount. There are three accounts here. This would be one of them. Mr. Anglace and I spoke earlier and I believe it's appropriate to transfer from the Contingency Account which requires action by the Board of Aldermen.

Alderman Anglace: This would require taking \$1,500 from Contingency, which we have, and just putting it in this account. A one-time transfer and we are all set. We will approve that at our next Board of Aldermen meeting.

Paul Hiller: Second on this list is Substance Testing. This is a direct result...

Alderman Anglace: That's under Employee Resources.

Paul Hiller. Yes. This is a direct result of the additional substance testing that is required by the Department of Motor Vehicles for the school bus drivers. The schools bus drivers are city employees and for subsequent budgets there will have to be an increase in this account because this is an ongoing annual event. Not only are the school bus drivers

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required by the Department of Motor Vehicles but additionally other employees under their union contracts

Alderman Anglace: Will there be any more substance abuse testing during the year?

Paul Hiller: I believe so as there is some turnover in those departments and additionally in the Highways & Bridges Department and Parks and Recreation Department there are contractual obligations. There is also spot testing where there is no notification and they come in and take tests.

Alderman Anglace: We will have the Board of Aldermen approve it as an over-expenditure, leave the account open, let it run, there won't be that much more for the rest of the year but it's only \$1,400.

Paul Hiller: It will go higher. Also the next two accounts Poll Workers and Printing & Advertising in the Elections Department, and that was a result of the Republican primary last summer and we also have upcoming in April the Democratic Presidential Primary. So, this account has been approved as an over-expenditure by the Board of Aldermen. Those two accounts were already approved along with Commissary Account.

Alderman Anglace: So, the Certification Fees is a one-time deal?

Paul Hiller: Certification is a one-time deal because of the change in the Democratic Registrar of Voters as you are aware Mr. Lally moved from being an employee there to Democratic Registrar and we had to get the other employee certified. Again, this was a change in what we anticipated.

Alderman Anglace: We don't anticipate any further expense out of that certification account. So maybe what we do, we already have the first two accounts, the Poll Workers and Printing & Advertising, they are already approved for over-expenditures, we can probably just approve, and like you said the Commissary Account, so let's include everything in Elections in the over-expenditure route which means the Board of

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Aldermen will have to act at our next meeting to approve that line item. What do we have next?

Paul Hiller: Special Prevention comes from the Fire Marshal Department which is a result of rewarding their annual poster and essay contest winners.

Alderman Anglace: Wait under Probate Court we didn't talk about that.

Lynne Piscitelli: No there was an error in the bills. It's been corrected.

Alderman Anglace: I want to point out something else because I want Dave to see this clearly, these are the things that happen. In City Town Clerk's Office there is Records Preservation, it shows \$2,977 overdrawn. Now when you took that \$381 from Probate, that's something we saw before, in the last couple months and of course, like you said, it was an error corrected. It didn't need any action but what about this one in the City Clerk's Office?

Paul Hiller: I met today with the City Town Clerk and there was an expenditure of \$6,667 that should go in Indexing Services. The good thing is when or if we go over in an account like that it is offset by additional revenue because it means there are more transactions that people are paying for.

Alderman Anglace: But what about Records Preservation?

Paul Hiller: One of the problems was also they receive a grant from the State for \$7,500 and in the budgetary format she was netting out expenditures based on the \$7,500 figure. We have the grant listed in revenue but you can't have it in both places. Going forward her expenditures will be a gross amount of revenues of what we get from the state annually which is more than likely \$7,500 and we will list it as revenue within the revenue accounts.

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Alderman Anglace: Now I am totally confused. Records Preservations from City Town Clerk you budgeted for \$6,500 and spent \$9,477. It's overdrawn by \$2,977. Does anybody need to take any action?

Lynne Piscitelli: It was an invoice that was charged to Records Preservation incorrectly that should have been charged from Indexing Services. It's been corrected.

Alderman Anglace: I am working off the one before today's corrected one. It's illustrating the point that I want Dave to see is that some of these things as you get into them further, you find out that they are internal errors versus the need for Board of Aldermen or Board of A&T actions. I also looked at this to see if there was any request for the transfers. I didn't see anything.

Paul Hiller: Getting back to Special Prevention under the Fire Marshal we have \$1,498. That, I believe, should be a request from the Fire Marshal to the Board of A&T to transfer.

Alderman Anglace: That one will require Board of A&T action. The next one is City Hall Vehicles.

Paul Hiller: I spoke with Brian Roach about this one. Obviously at this time we are a little more than halfway through the year, and this will go higher. There are sufficient funds from other line items within Highways and Bridges which it could come from.

Alderman Anglace: So, a Board of A&T transfer?

Paul Hiller: Yes, and that's going to be Mr. DiMauro's call as to where he wants to take it from.

Alderman Anglace: So Paul DiMauro needs to request these things. We aren't going to do them automatically. I guess the point is as we go through this and see accounts overdrawn a question that the public would ask is why would you pay more than is in the

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budget? Somebody should have questioned it. The next one I have, and you don't have it on your list, is on page 21 and it's under BOE payroll. We only carry one number for the Board of Education. We generally don't carry the payroll number but this run has a payroll number here and it is confusing.

Lynne Piscitelli: We broke it out because it's easier to reconcile with payroll separate from accounts payable. So we decided to separate the line so it's easier for reconciliation. If you net that together with the other one, the budget line item is only on the 834, that's why it's negative. So you have to add those two expenses together.

Alderman Anglace: There is no problem?

Lynne Piscitelli: There is no problem.

Rick Belden: I will talk about that during my part of the discussion. It's positive John.

Alderman Anglace: Good, good.

Rick Belden: It's to help the BOE and the City do our own reconciliations in a more effective manner and you will be able to find it quicker.

Alderman Anglace: What's next?

Paul Hiller: Overtime Pay Property Maintenance. Mr. Petucik may have sufficient funds in his accounts in his overall budget. He is going to estimate what his needs are and go to Board of A&T.

Alderman Anglace: We are at the halfway mark and he is certainly going to run more overtime in that department. Do you want to authorize an over-expenditure?

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Paul Hiller: I don't think so because looking at his payroll accounts he has sufficient funds there to cover a reasonable amount. He is probably going to need another \$10,000 to \$15,000.

Alderman Anglace: If he is going to cover it from within his own department, he has to request a transfer from Board of A&T. I think what is taking shape in my mind is that the department heads, working with Finance, have got to make a decision what they want, do they think they can handle the difference from their other accounts and want to request a transfer from Board of A&T or do they want the Board of Aldermen to authorize an over-expenditure? Somebody needs to let both boards know. Right now what are we going to do for the overtime?

Paul Hiller: Chris Petucik has to determine what his needs are through June 30th.

Alderman Anglace: Paul, he has to do it fast because by the next meeting of A&T or the next meeting of the Aldermen we should know what he wants to do. Okay? So, let us know. What's next?

Paul Hiller: Comp Data Process Accounting. First off there is an encumbrance there of \$14,000. There is a purchase there for software. They raised their rates, no control over that. It's not uncommon in that industry. In the whole Management Information Systems Department there will probably be other areas that will have extra and I anticipate again that he should be able to cover it from his other accounts. That \$14,000 encumbrance will liquidate over the course of the next five or six months.

Alderman Anglace: What do you want to do with that account?

Paul Hiller: I think the ones under MIS will be for A&T. Within the department he has always returned money.

Alderman Anglace: The next one is Mileage Account for \$25. That should be done with A&T, it's minimal.

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Alderman Anglace: Now we get up into Miscellaneous -Client Analysis Bank Charges for \$549. Explain that please.

Paul Hiller: These are the various banks we do business with and the fees that they charge. In the past we waited until year end and it's been much higher than this in previous years, in five figures, I don't see that it will be that high this year at all.

Alderman Anglace: We will put it on the next BOA meeting for the aldermen to authorize the over-expenditure. Now, Fireworks Display for \$500.

Paul Hiller: It rained on the first night and it was postponed and we incurred a \$500 fee.

Alderman Anglace: It's a one-time deal. Let's take it out of Contingency. The Board of Aldermen will have to do that. We will transfer it out of Contingency. Now the Locip Projects account. That's totally confusing. We put a number into the budget what we anticipate in Locip so we can spend against it. You got to have a number in the budget but we are no way over-expended in that account.

Paul Hiller: The problem with the Locip account, it's basically a Capital Projects Account. The money goes back over several fiscal years. We had in the budget, funds that were approved and allocated by the governor and the general assembly, current year which is slightly over \$270,000. Many of these projects are ongoing projects and can be extended over two, if not three, fiscal years and that's what we have here. We have been playing catch up on a lot of these projects. My anticipation is that by the end of the year this number is going to go higher but the revenue which goes back from fiscal 18, fiscal 19 and into fiscal 20 will also be higher. There is also a lag and the lag with the state seems to have increased when we submit an invoice and when it gets approved and when we get the cash. It used to come within 45 days. It's coming much slower than that now. I will give you an example, one thing which is Special Revenue the Town Aid Road Fund which normally in July and February we get \$252,000, payments totaling

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\$504,000 which are in the budget, we have received zero as of this date nor has any other community in the state.

Rick Belden: Have we ever considered moving the Locip over like the Town Aid Roads into the Special Revenues? That takes the one year issue away now you can manage it like a Capital Project where the cash flows are coming in and you can set the receivables up...

Paul Hiller: That's what Lynne and I talked about today. I think the majority of communities in the state do not have the Locip fund within the budget.

Rick Belden: Right because you are doing this all the time. The money is going to come in eventually.

Alderman Anglace: Right, that's the way to do it, because we know what we are getting. I think we got \$395,000 in 2018 and in 2019 I don't remember the number but it was far less. All we appropriate is what we got. We don't go over that. We can't overspend that.

Rick Belden: It's cleaner going through Special Revenue.

Alderman Anglace: So do that.

Paul Hiller: I concur with Mr. Belden and Lynne and I talked this afternoon about the same thing and I can say that the vast, vast, majority of towns and cities throughout the state do it that way.

Alderman Anglace: So you will take that out of the General Fund? There is no budgeting action required by us. Then the Council of Governments is here for \$1,300. What is that?

Paul Hiller: That's the Naugatuck Valley Council of Governments came in higher than anticipated.

Alderman Anglace: Why don't we take that out of Contingency?

Paul Hiller: Yes.

Alderman Anglace: Okay, that sounds good. That's it.

4. STATUS – BOE BUDGET FORMATTING REVIEW

Alderman Anglace: Let me start this off by saying that I am sorry that you had to sit through up until now with our business. I didn't think to put you guys first, I apologize.

Rick Belden: I am being serious when I say I always learn something and enjoy sitting because I am part of the team. John and Carl, you have both seen this already. One of the things that was brought to my attention when I started a year ago today, might I add, it's my one year anniversary, last year I walked in on the very last day of budget preparations for the Board of Education. During this year I have been working extensively with Paul and Lynne and getting input from the Board of Aldermen Finance sub-committee on areas we can improve in and make it better for the budgeting process. What I handed out to you, the top document has two pages. This is the format that we are going to be using for the overall budget. This is sitting at the very top of our budget book. It basically has in here what is required by the Town Charter, the approved budget, our projection through the end of this year so you can see our fund balance and what our budget is going to be for 2020-2021. What I gave you tonight is a level services budget that I gave to the Board of Education and to the Superintendent about a week ago. This is not something for you to react to, it's just for formatting purposes, but right now we moved all the services that we are doing this year as of now into next year cost out teacher's

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contract and other contractual services, the BOE will be looking at a \$2,145,471 increase or about 2.9 percent. Obviously this is a work in progress. We are holding budget workshops as we speak. That being said, I asked Lynne and Paul how the budget documents are put together for the Board of Aldermen. The document I handed out to you it says at the top Shelton Public Schools Elizabeth Shelton. I chose that one because I figured the principal there wouldn't mind. I have been using her as an example for about two weeks now. What you are going to get John, for every single school and every single department a package that looks like this. It will be a top level sheet that will show last year's budget, the proposed budget and differences by line item, that's the very top two pages, so there you see, there are all the accounts. This is a working document right now. So you can see how much ESS asked for last year, how much they are asking for this year and what the increase is in percentage. Flip the page again and this page is the Position Control document and shows the 19/20 positions by line item. This is what I see in your documents on the town side in your various departments. This is Position Controls required by Charter. What we actually did is every single school and department filled in their request for 2020-2021. Those numbers are not numbers that will necessarily be approved by the Board. This is a working document. For example, we are going through them now to determine what we are going to add and not going to add but you will have this document in the packet. There is a top sheet which is the Summary, then the Position Control and if you turn the page you see another document here that ties into the Position Control with all the detail. Those are the positions and cost done by the salaries and the first group is all teachers so it shows their step, the education lane and then based on the current contract what the contractual amount is.

Alderman Anglace: This \$3,059,177 is for this year?

Rick Belden: No for next year.

Alderman Anglace: That includes the 3 percent?

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Rick Belden: That includes any contractual increases. Anything you see here includes contractual increases. All the steps are here, there is base, longevity and other which is department heads, stipends that are paid, those are all in those numbers. Then below that you see the other line items, 5111, 5124, those tie into the budget sheet and it also ties into Position Control.

Alderman Anglace: In other words, you are giving us a document here for Elizabeth Shelton School that is complete with all your personnel and all your numbers?

Rick Belden: Yes.

Alderman Anglace: So it's a stand-alone document, so if we were to close ESS, this would be the reduction here?

Rick Belden: Theoretically yes.

Alderman Anglace: This will be replicated for every school?

Rick Belden: Every school and every department. You are going to get all eight schools plus all the departments such as IT, Special Education, Teaching and Learning, Facilities, Human Resources, Athletics and I will also include a couple ancillary ones that help balance this such as Employee Benefits and also the Grants. I am putting the grants at the very end so you have a sense of how much grant money we get in and how it's netted against these numbers. We have teachers who work under grants, they are listed in that detail but they are credited for purposes of accounting. I want you to see that so you see how much we are getting in grants and how they are being allocated against the people in the budget.

Ray O Leary: In ESS there are no grants?

Rick Belden: No, none of this documentation you are going to see here has a net for grant in. I am going to give you the gross amounts. It will be a separate sheet just like this but it's going to be in a separate package.

Ray O'Leary: But that teacher will not be in this?

Rick Belden: We won't know who that teacher will be next year because we move them around.

Ray O'Leary: I understand.

Rick Belden: Then you will see various documents that tie into the actual line items. For example, John, 5614 Instructional Software, last year's budget in the upper right-hand corner, and what they are asking for so it's 5614 is the account, \$4,569 is what they are asking for, \$2,979 was last year's budget. It's just like you see in your budget books, it lists what you want, how much it costs. All these numbers all roll up to here and I have a master spread sheet that looks like this over here on the left with everyone one of these sheets here that's linked. So I can go in and make a change on any one of those lower level sheets and it will roll up to this one and roll up to this one. I can go in on Instruction Software and say, no we aren't going to give them \$4,500, we will give them \$2,900 and I make the change here and it's going to ripple all the way up to the top. It's a lot of work but once it's done, and the teachers seemed to love it. Some people like the top level numbers and just want to see the narrative, other people may want to go to the detail. If they want to see the detail they can go down as low as they want to see that ESS is spending \$120 on Flocabulary. So no matter how much detail you want to get, it's all in there. The budget book is going to give you all that information and then it's going to go to a summary such as for Position Control for the whole district, class size information, things that the Board will need to make decisions about. There is also a section in the back for Capital Projects. They are being broken down by Technology, Facilities and Teaching & Learning. There will be three separate categories for Capital Projects laid out over six years with some specificity as to what we are planning to do. What

we are doing, we are not printing out 150 budget books on February 14th. We are going to have about 25-30 books done. It will be a much smaller document but it will have the information in a way that's easier to follow and we will post that on our website. What we will do then is go through the whole budget process. We go to the Board of A&T and the Board of Aldermen, the Mayor's budget to get a final number sometime in May and we will go back through and update all this information so I can have a final budget product where everything ties into final numbers. Then we will have a valid document and post it on our website. That will be the exact numbers with all the backup so we know what we included in the budget.

Alderman Anglace: Well that pretty much follows the narrative of what you had outlined for us in previous meetings.

Ray O'Leary: Even more so.

Alderman Anglace: What it's going to take is using it and getting familiar with it so it's meaningful to us.

Rick Belden: As I said in my comments the principals reacted favorably to it. It actually helped them in organizing the information they needed.

Alderman Anglace: This is as of when? Where is the date on it?

Rick Belden: It's as of now, it's a work in progress, I will have things dated for you. Just so you know, this is the December 31st package that I sent to you and Ray, should I be sending it to Theresa so she can send it to all the members of the Board of Aldermen on a regular basis?

Alderman Simonetti: It can't hurt. Thank you.

Rick Belden: But the numbers you see on here represent the same thing that's in there. December 31st projected actuals in that column so this ties into that

document that I just gave you. We will work through it, make some tweaks, take comments and see how it works out. I think the key thing is that you have detail at that level that ripples up and we can look at it whenever we want to. I think it's going to be easier to follow.

Alderman Anglace: How do we track the movement of money?

Rick Belden: When you say movement of money, describe what you mean to me?

Alderman Anglace: Well, for example, supposing you hire someone during the course of the year. Where are you getting that money from, which account is it coming from?

Rick Belden: You mean outside the budget that was originally prepared?

Alderman Anglace: Yes or if you transfer money, stop a function that you thought you were going to have but cancel it, where does that money go?

Rick Belden: Sure. The Board of Education has in their bylaws, and it's not showing up here but if you look in the document that I prepare every month, there is a column for transfers. It's this column right here. Here is the original budget, here is the budget transfers that were done within the family, because the Board of Education policy allows for transfers within the family, when we go outside of the families then the Board of Education has to approve it. We don't typically do transfers between the families until the end of the year and then they have to approve it. So that's already in your documentation that you get monthly or rather the BOE gets it and I can send it to you as well. It's on the last few pages of the report that I prepare every month for the BOE. The second column shows the transfers, we send this to the Board every month.

Alderman Simonetti: If I may? If we go to the health insurance column, we move \$12,000 from group term life down to other benefits, that's how you transfer within the column, within the family?

Rick Belden: Yes.

Alderman Simonetti: But if someone said we are going to use the health insurance and put it in to buy books then that would be a different story?

Rick Belden: Yes, that would have to go before the Board of Education for a transfer request. They would have to approve it before we could do it. The other thing is balance projection, so we not only have a year-to-date encumbrance and actual, we forecast what we think the rest of the year is going to look like so we can see where we think we are going to be in terms of trend. That's in the narrative I put together for the Board of Education. I am starting to look at trends, what's happening in certain major line items. Things we typically find that are a variable on the Board of Education side are things like health insurance, that's why you have this on the town side because claims made, we are self insured. We could be going along fine and then one month we get a huge claims month and then your trend changes and we have to adjust for that accordingly. Special Education Services, Transportation, etc. So we are tracking that as part of our projection on a regular basis. We don't have a contingency fund or any place to go so we have to start thinking about where the money is going to come from. That's what you see on the right hand side plusses and minuses. I still have to live within that budget allocated by the Board of Aldermen from back when. That is why we have a soft freeze in right now. We put a soft freeze in back in October, all discretionary monies, instruction supplies, equipment, things like that we can control expenditures on. We get through the winter, right now we have a good winter in terms of gas, utilization for the temperature, so we can help cover those variable expenses. So that's what you are looking for though, the transfers are in that second column. They have to total up to zero. We also put the projection in there for the total year so we can see where we

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are trending in certain line items. We are trending higher in health insurance and that is one of the areas of concerns for me. I am waiting to see the January bills.

Alderman Anglace: That happened last year too right?

Rick Belden: Yes, that happened last year too. You get a couple of bad months in claims you can't predict it so we have had to keep money in reserve so we can get past that point. So that's the budget formatting and hopefully it answers the questions you had in the last meeting. Is it satisfactory to you?

Alderman Anglace: We are going to have to start looking at it closely and get familiar with it before the budget is presented.

Rick Belden: I am interested more in comments regarding format. Is this kind of what you were looking for? You want to see the low level detail that ripples up to the higher levels?

Ray O'Leary: I like it.

Rick Belden: It mirrors what the town does and I will give it to you electronically so if you guys want to play with it you are certainly...

Ray O'Leary: Just one question. When you get an approval from the BOE then you will get it back to us

Rick Belden: When we do those budget books for February 15th, the next day they are obsolete. So I will do enough for us to be able to work with them and I will post it on the website and once the Mayor's budget and the Board of Aldermen approve whatever the number is, then the Board of Education always has to go back and adjust that number. Once those are done, I will go back into this detail and adjust everything and you folks will be able to see what we are going to work with for our approved budget.

Ray O'Leary: If a teacher should leave and it comes out of the budget in a specific school that will be changed in that document?

Rick Belden: Yes. For example, let's say we have a retiree. That will be in the Position Control detail I showed you. It will be reflected in there. Let's say it's a retiree and you have a teacher coming in at a lower cost, we will take the old teacher out and put the newer one in at the lower cost. As I said, it's a work in progress but I think this honors the intent of what we are trying to accomplish. Certainly it's going to be easier to follow the Board of Education budget.

Ray O'Leary: John, this is where a lot of the questions come from, how did you get to your total? It took so much discussion and conflicting terms actually.

Rick Belden: I think the conversation now will be more in line with I have this on this sheet, what does this mean? It's not, where is it?

Ray O'Leary: And I think you have a good idea of what we may not understand. Any questions or comments on this?

Alderman Anglace: It's something we have to look at and get familiar with.

5. STATUS BOE SPECIAL REVENUE ACCOUNTS

Rick Belden: Last year the auditor highlighted several Special Revenue Funds that were in a deficit position and needed to be addressed. I have been working the city's finance department and the auditor and also with you folks on how to address it. One of the things that was important to me was to have a starting number to work with. In order, to get that number though we had to complete the audit for that year. Yesterday, I had a meeting with the auditor, Dave Cappelletti, about some things on the BOE side and today I met with him, I am not going to share a lot of the details, that is not appropriate for me, but, what it did resolve, by working with Dave, is that I

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now have opening numbers for June 30, 2019 and opening numbers for July 1, 2019 that I can now plan against. The document I just gave you is a summary on how we are going to do that. Let me explain how it's organized. The five funds that are in Special Revenues: School Lunch Fund, Education Grants, Athletic Association, Summer School and School Rental are the ones you see in the back of the audit. The first function here is what was the fund balance of June 30, 2018 in the audit report that Dave put together that identified some areas? What changed from June 30th 2018 to June 30th 2019 and what numbers is Dave utilizing in the audit? For example you can see the School Lunch Fund as of June 30, 2019, that fund balance changed negatively to a \$424,861 negative fund balance. I don't think it's a surprise to prior board members or people who are involved that Sodexo was running deficits on a multi-year basis. I can't go back and unring the bell as to what happened in terms of the accounting for the various costs but this is the number that we now have as of June 30, 2019 that I can plan against. Education Grants, that's a positive. That's changed in a positive manner. We now have a fund balance of \$86,386 to the good. Athletic Association has a positive fund balance of \$32,754. Summer School did go negatively to \$36,928 and School Rental had a very nominal increase of \$118,645. The due to's and due from's general fund...

Alderman Anglace: Wait a minute, School Rental, why is that a negative?

Rick Belden: I am going to explain that John. It's down on the bottom with all those comments I made.

Alderman Anglace: Okay.

Rick Belden: The next thing is due to's and due from's the general fund. This is how we do the accounting, some things are paid for through accounts payable that come out of the general fund and then we reimburse the general fund on a regular basis. Education Grants is the one that's primarily done that way. We have payroll that goes through the General Fund and then we have to reimburse the town for the payroll that runs through there because it's not part of the General Fund

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Expenditures. So, as of 6-30-2019, the same thing happens. There is \$827,613 owed to the General Fund from the School Lunch Fund. Education Grants is \$1,268,780. Athletic Association nothing is owed. Summer School is \$65,798, that's down from the prior year we reduced that by \$37,000 already, and then School Rental is \$132,608. This is cash that needs to be paid back to the General Fund. What cash did we have on hand in these various funds as of June 30th, 2019 and what receivables were there on the books that we were going to collect that were on the books in July and August? That's money available to us. And what payables or liabilities do we have as of June 30th that we have to pay out of those assets? So the amount we have available to pay off from the due to's and the due from's are as follows: We have \$379,596 available to pay towards the \$827,613. We have a \$1,355,016 to pay towards the Education Grant. We have that covered. The Athletic Association there was \$6,990 cash and that's an account we are probably going to close. We talked to Dave Cappelletti and we have some ideas on how to make that work a little better. Summer is \$28,870 available in cash to pay towards that \$65,798. There was \$13,963 to pay towards that \$132,608 in the School Rental account. So in my comments: After paying back the \$379,596 there is still \$448,017 owed. This is something that has occurred over multiples fiscal years. It's not going to be resolved in a one timer. This is going to require me sitting down with my staff, working through to be included in our budget, over a period of time to reimburse, working with you folks and also the finance department, this is not going to happen overnight. It didn't occur overnight, it's not going to be resolved overnight. This is the biggest issue in all the things we talked about with the auditor. What we have done in this fund though, which I think we a positive though, when I started working with Paul and Lynne, they were paying the bill for the School Lunch program and then getting reimbursed by the Board of Ed. And I said, well we have a fund set up already. We collect all the revenue from the school lunch every day and it goes into this cash account. We will just pay the bills out of there so we keep everything in one fund so it's easier to keep track of. It also helps them out with cash flow as they aren't putting up the money and getting reimbursed somewhere down the line. We started that in March of 2019.

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Paul Hiller: It was something that I actually addressed with the three previous finance directors because the city was in fact, financing the School Lunch program and I said, this shouldn't be, you have cash coming in and why are we financing it?

Rick Belden: When Paul mentioned that to me, I took a look at it and said, you are right. We figured out a methodology so that it's financed this way and helped out with the city's cash flow. This is what we pay for the invoice for a third party service. In the past, we had Sodexo and now we have Whitson. We have had Whitson for two years, last year and this year, and they broke even the first year which I was told was phenomenal because they were losing money in prior years on a regular basis. In the current year we are trending on breaking even also. It's a break even contract. They eat the loss. That's for the next three years.

Alderman Anglace: We have known about this School Lunch fund a few years back and Paul mentioned it to your predecessors but I don't think they got it or rather I don't think they knew how to handle it.

Rick Belden: What I needed to do, and I probably sound like a broken record, but I needed to work with Dave and Paul and Lynne to get everything cleaned up and get to a place that we can say, okay this is the number that we all agree to. Now what are we going to do to move forward to fix it. Now we have the numbers. Now we can do some concrete planning on how we are going to do it as opposed to guessing. For the Education Grants, this is more of a timing issue. The money was on hand at the end of the year, we could have theoretically cut a check and paid off the vast majority of what the town put forward for payroll. Going forward we will do that on a monthly basis. Lynne and I set up in the GN360, we are keeping track of all those expenses on the Board of Ed side of \$72,700,765, the town has an account on their books so whenever they put money in for payroll or check registers it goes through what we call a GN360, it's like a due from account from the BOE, any cash items go in there and our expense detail backs it up. That's what Dave has to work with to balance at the end of the year. We set it up that the GN360 has multiple accounts. There is one for School Lunch which we don't need any more, there is one for

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Grants, one for Athletics, there is one for Summer School and one for School Rental. Each one of these has their own sub-360 and whenever we ask for cash, we tell Lynne, this is General Fund, this is Grants, this is Athletics, this is Summer School, this is School Rental. They put them in each one of these buckets, we are going to load the opening balances, so we know what the due-from is and when we reimburse she will put the credit into that account also so at any point in time we can get the information from Lynne. We can say how much does the BOE owe you for grants? So, she can come back and say, oh it's such and such a number and we can make sure our books agree with this number and then we will cut the checks. We could do this every day if we wanted to as long as it's posted that's how fast it can be. To close the loop on that, the GN360 will be easier to balance on that because we are taking all this other stuff that is not general fund and moving out so all we should have is General Fund stuff and then we can just tie it in on a monthly basis with my numbers, and have a better, cleaner GN 360 tie in every month and then these will tie in also. At the end of the year, when Dave Cappelletti walks in, we give him this information and say, here is your due-to's and due from's, it's all here, here is the tie-in for the GN360 and we have it backed up. Right?

Lynne Piscitelli: Right.

Rick Belden: That's the game plan anyhow. And that goes back to what Lynne was mentioning earlier. I was listening to your presentation and she split AP and Payroll out for BOE, because we had one cash account and we had AP and Payroll going through it and we were doing bank recs and it was driving her crazy because she had to track everything to one bank account, now she split it out to two so we can isolate it very quickly, is it an AP issue or a Payroll issue? Then we can reconcile that much quicker.

Alderman Simonetti: Not that I don't believe you but Lynne, do you agree with this?

Lynne Piscitelli: Oh absolutely.

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Rick Belden: So that's the Education Grants, now that we have the hard numbers we are going to load into our system the opening balances. Then Paul will be getting a check for substantial amount of money probably next week. Then we will keep you up-to-date on a monthly basis so it will help out the cash flow.

Ray O'Leary: So this report will be generated by Paul and Lynne?

Rick Belden: They will have it on their side and I will have it on my side.

Ray O'Leary: Who will it come to on a regular basis, the Board of Aldermen Finance Committee?

Rick Belden: Whatever you guys want.

Ray O'Leary: It should come here probably. This is a response to Dave Cappelletti's June audit report and it's a good one.

Rick Belden: Let us talk and we can come up with a report for you. Do you have a bank reconciliation report?

Ray O'Leary: Yes.

Rick Belden: We will do a GN360 for it.

Alderman Anglace: I don't think we need it every month.

Ray O'Leary: No.

Rick Belden: We will do whatever you need.

Ray O'Leary: They are making up a deficit and in most cases here, it's a plus. The deficit you need to answer the auditor.

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Rick Belden: So getting back to the comments. On the Athletic Association, what we've done and Dave cleared this all already, we are going to move this over to the Student Activity Fund. These are the game receipts that come in for the football games and everything else. Typically it goes through the Student Activity Fund and then it gets paid out for referees and stuff. He's fine with that as long as we can show the auditor. It will come in, it will get paid out and it's one less thing we have to worry about going through the town books and everything else. Summer School, I mentioned in the comments, the fund balance, what that means is that it's running at a deficit and this is a summer enrichment program that the BOE has been running, it's independent of the Special Needs program. We do not charge for the Special Needs program. We are required to run what is called ESY (Extended School Year) program in the summer. We have a couple hundred kids that go to it. In their IEP (Individual Education Plan) they are required to get schooling over the summer. We provide programming, bussing, we hire teachers, in addition to that the Board has provided summer enrichment programs where they hire a bunch of teachers who teach certain courses and students sign up and pay us for it. It's running at a deficit so I don't believe there is an appetite for the courses because there are so many choices now for kids such as sports camps, other enrichment programs, so the question becomes what are we running this for? Is it just an enrichment program, which apparently it is, then let someone else do it at a profit. We are not seeing a good number of kids signing up. That's a discussion that will be held by the Board of Education Teaching and Learning Committee because we have to start planning. That is one that may just disappear. The School Rental, this one was actually an error in the accounting. The money was coming in for School Rentals and it wasn't getting booked into this fund, it was getting booked against the General Fund. The check would come down to Lynne, she would credit our expenses and the GN360 but the expenses weren't in the GN360, they were being charged someplace else. So, that is just an accounting error that happened over the past couple years. That's a two year issue right there. I am going to take care of this through this year and next year.

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Alderman Simonetti: Lynne, do you agree with this, the accounting error?

Rick Belden: They wouldn't really know about this to be honest with you because they don't handle it. You can see where the big one was last year and when I came in and started looking at it he changed it to \$3,806. I have to fix the two prior years and catch up. I will be able to make that work for our budget. It should be a wash; you shouldn't lose money on this. This was more that the accounting wasn't really done correctly. We collected the money from the people who were using it, that wasn't the issue, the issue was how it was applied to our accounting, it went against our general fund expenses instead of going against the expenses being booked over a year in this fund. Everyone paid, everyone did the right thing, it's just that it wasn't put back in the right account. So what I have done, they were typically putting money in for the School Rental in the Revenues, we are not going to put that towards the General Fund anymore. It's going to go right to this fund to reduce this deficit. I will book the expense for that appropriately now so it's going to wipe this out over two year, this budget now and next year's budget. So, at the end of the day this addresses the auditor's comments in terms of what are we doing, and also we have some work to do on the School Lunch Fund and if for some reason we find that next year there is a pool of money that becomes available to reduce this then we will certainly start working this down.

Ray O'Leary: You can provide a quarterly report on a quarterly basis, fair enough?

Rick Belden: Yes. The other thing is the School Lunch Fund and the Education Grant Fund are completely in MUNIS now. Athletic is gone. We are working with Dave on Summer School and School Rental to find a way of taking advantage of cutting back the number of cash accounts we have and putting them into one fund called Education Services. We will do it that way and there will be three funds here in probably next year's audit. The more you have the more chances there are to make a mistake so if together we can condense this, and then the School Lunch and School Rental we will be able to take care of in the next two years. Any questions?

6. DEPOSIT RECONCILIATION PROCESS SCHEDULES A, B, C

- **90-DAY TRANSACTION REPORT**
- **ASSISTANT FINANCE DIRECTOR'S REPORT**
- **FINANCE DIRECTOR'S REPORT**

Lynne Piscitelli: Everything is reconciled through December 31st with the exception of the General Fund which is through November 30th, there are very few outstanding items. There are seven in the General Fund, two of which I took care of in January. Everything looks good.

Alderman Simonetti: And you cleared up the issues of the people who were signing on the City and BOE side?

Lynne Piscitelli: The BOE updated all their information.

Ray O'Leary: There are big changes on Schedule B.

Lynne Piscitelli: Yes.

Rick Belden: There is one thing I need to fix for you. I don't believe the High School had all the signors on it. It's Peoples Account SHS 1175. We had all new cards because we had new staff at the high school.

Ray O'Leary: Lynne, is the Library on here?

Lynne Piscitelli: It's Schedule C.

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Ray O'Leary: I noticed the figures aren't very up-to-date. You have a 9-30 and a 10-4.

Lynne Piscitelli: That's what I got from them.

Ray O'Leary: They gave it to you recently?

Lynne Piscitelli: They have a part time clerk that does the reconciling so, she is not necessarily up- to-date. There is very little activity over there...

Ray O'Leary: That should make it easier.

Lynne Piscitelli: I will tell her you want it sooner.

Ray O'Leary: Well she should be doing it.

Alderman Simonetti: It's got to be more up-to-date than that, it's two months behind.

Ray O'Leary: Yes. Really! That's all just let her know.

Rick Belden: Can I just quickly report on something else we are working on.

Alderman Simonetti: Sure.

Rick Belden: It was suggested we take a look at the Valley Regional Adult Education, they are in the financial statements in our audit but they have kind of a quirky way of doing things. They have their own bookkeeper. They have their own set of books but the town does the payroll for them and the BOE does the accounts payable checks and there is sort of no centralized who is going to make sure everything is being done. There is grant money coming in, there are checks coming in, and we were talking to the Mayor and he mentioned he wanted this looked at. I did due diligence on the BOE side in terms of HR and Payroll, and we agreed we would take over. It's not going to change anything

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from their perspective but now we will have our Tax ID numbers for the employees and they will be under our guidance. We will take it over.

Alderman Simonetti: As of when?

Rick Belden: That's one of the things we are working on. Worst case would be July 1st. April 1st I think is too soon, because we are all doing budget and other stuff but July 1st is definitely a target date for us.

Alderman Simonetti: They are over at the Grove Street facility. It's nicely set up too.

Rick Belden: Good space.

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 7:05 p.m.

Respectfully submitted,

Theresa Adcox

Theresa Adcox, Clerk
Board of Aldermen