



TOWN OF LEDYARD

741 Colonel Ledyard Highway
Ledyard, Connecticut 06339

Finance Committee Meeting Minutes

Chairman
Kevin J. Dombrowski

Regular Meeting - Hybrid Format

Wednesday, January 18, 2023

5:00 PM

Town Hall Annex Building

In -Person Location goes here

Join Zoom Meeting from your Computer, Smart Phone or Tablet:

<https://us06web.zoom.us/j/86065224602?pwd=c3RrdTQ1WTd5allUUEs1ZFVrbjl0Zz09>

by Audio Only: Telephone: +1 646 558 8656; Meeting ID: 860 6522 4602 ; Passcode: 865037

I CALL TO ORDER

the Meeting was called to order by Councilor Saums at 5:00 p.m. at the Council Chambers Town Hall Annex Building.

Councilor Saums welcomed all to the Hybrid Meeting. He stated for the Town Council Finance Committee and members of the Public who were participating via video conference that the remote meeting information was available on the Agenda that was posted on the Town's Website - Granicus-Legistar Meeting Portal.

II. ROLL CALL

Present: Councilor Bill Saums
Councilor Andra Ingalls
Councilor Tim Ryan

Also present were the following:

Mary McGrattan Town Councilor
S. Naomi Rodriguez Town Councilor
Matt Bonin Finance Director
Don Steinhof Administrator of Human Resources
Steve Masalin Public Works Director/Town Engineer
Jason Hartlin Superintendent of Schools
Mike Brawne Board of Education Finance Committee Chairman
Rachel Mose Board of Education Director of Finance & Human Capital
Mike Brawne Board of Education Finance Committee Chairman
Branden Grabner Board of Education
Nikoleta McTigue CliftonLarsonAllen LLP

Stephen Gros CliftonLarsonAllen LLP
Roxanne Maher Administrative Assistant

III. CITIZENS COMMENTS

None.

IV. PRESENTATIONS / INFORMATIONAL ITEMS

CliftonLarsonAllen, LLP Annual Audit Report Fiscal Year Ending June 30, 2022

Ms. Nikoleta McTigue of CliftonLarsonAllen LLP stated she was the Lead Auditor in conducting Ledyard's audit noting that this was the fourth year they performed the Annual Audit for the Town of Ledyard. She proceeded by presenting the Annual Audit Report as follows:

- Engagement Scope and Reporting:

The Audit was performed under the following standards:

- Generally Accepted Auditing Standards (GAAS) in the United States of America.
- The standards applicable to financial audits contained on Government Auditing Standards, issued by the Comptroller General of the United States (GAGAS).
- Uniform Guidance (Formerly Federal Single Audit Act) and the Connecticut State Single Audit Act.
- Annual Audit Report Fiscal Year Ending June 30, 2022.

- Reporting Results in the Financial Statements

- Reporting under GAAS (Generally Accepted Auditing Standards):
Unmodified
audit opinion.

Councilor Saums asked Ms. McTigue to explain the term "*Unmodified Opinion*"

Ms. McTigue explained an "*Unmodified Opinion*" was a *clean opinion*, which was the highest form of opinion they can give on the financial statements. It meant that there were no findings that rose to the level of modifying their opinion.

Ms. McTigue continued by noting the Reporting Results for in the Financial Statements were as follows:

- Emphasis of Matter Paragraph-GASB 87 Leases
A right-to-use lease asset and corresponding lease liability was now recorded for lease arrangements where the term was greater than 12 months and the

Town was the lessee.

- Significant Deficiency - Board of Education
 - Board of Education had a pre-paid expenditure
 - General Fund \$345K
 - Aggregate remaining funds \$93K

Ms. McTigue stated expenditure items must be reported in the Fiscal Year they occurred. She explained that regardless of when an expenditure was paid that it should be reported in the year that it belonged. A journal entry had to be made to make the correction.

Councilor Saums asked Ms. McTigue to provide an overview of the types of findings.

Ms. McTigue noted the following types of findings that could be identified during the audit process:

(1) **Material Weakness** was a deficiency, or a combination of deficiencies, in internal control over compliance such that there was a reasonable possibility that material compliance with a type of compliance requirement will not be prevented or detected and corrected in a timely basis.

(2) **Deficiency** in internal controls exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned function, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a program.

(3) **Other Deficiency** was a combination of deficiency, in internal control over compliance with a type of compliance requirement that was *less severe* than a material weakness in an internal control over compliance, but important enough to merit attention by those charged with governance.

- Reporting under GAAS (Included in both State and Federal Single audit reports):
 - Reporting on Internal Control and Compliance at the Financial Statement Level:

(1) Under Internal Control:

- No internal control findings or deficiencies were noted.

(2) Under Compliance:

- No internal control over compliance/Compliance findings for the State and Federal Single Audits.

Ms. McTigue noted all the reports were clean.

- Financial Highlights
- Total Governmental activities expenses totaled \$71,299,629 as follows:

- ✓ Board of Education activities expenses: \$49,505,397 or 63.8%
 - ✓ General government expenses: \$12,769,431 or 17.9%
 - ✓ Public Safety expenses: \$4,969,198 or 7.0%
 - ✓ Public Works expenses: \$4,381,495 or 6.1%
 - ✓ Library expenses: \$558,913 or 0.8%
 - ✓ Park and Recreation expenses: \$707,451 or 1.07%
 - ✓ Health and Welfare expenses: \$1,288,537 or 1.8%.
 - ✓ Interest expenses: \$1,119,207 or 1.6 %
- Net Position at year end was \$87,819,651 (\$65,890,987 in government activities plus \$21,928,664 in business activities) a net increase of \$1,658,3463,025,806. This increase was primarily due to the States Teachers Retirement Funds' proportionate share of the pension and OPEB liabilities associated with the Town.

Ms. McTigue explained that the Net Position was all the assets, less the liabilities on an accrual basis. This includes all the Town's funds: General Fund, Special Revenue Fund, Capital Project Funds, with the exception of the Trust and Agency- Pension Fund along with the long-term assets such as roads, bridges, land, buildings, etc.

Ms. McTigue stated that Long Term Liabilities included the Pension, *Other Post Employment Benefits Other Than Pensions* (OPEB); Bonds, Notes, etc.

Ms. McTigue went on to explain that the accrual basis was different from the modified accrual basis (day to day basis) where long term assets and liabilities were not included.

- Government Wide Financial Statements - Governmental Activities and Business Type Activities combined: Ms. McTigue explained that the Business Type Activities were things such as the Water & Sewer Fund.
 - Capital Assets \$134,83,5817.5 million; net of accumulated depreciation. This was a decrease of \$1.7 million from the prior year, while the business-type capital assets decreased by 2% (net) These changes include the following:
 - Construction in-progress increased by \$325,118 for governmental-type activities for various town projects underway.
 - Business-type capital assets - there were no significant additions during the year.
 - Net pension liability was \$6.4 million an increase of \$1.1 million over the previous year.
 - Total *Other Post-Employment Benefits Other Than Pensions* (OPEB) Liability \$14.4 million. Ms. McTigue explained this was measured as of June

30, 2021 and was determined by an actuarial valuation as of that date. She stated the Discount Rate Discount rate virtually remained the same at 2.61%; and that the 20-year tax exemption rate was based on general obligation municipal bonds with an average rating of AA/Aa or higher. She noted that Ledyard received a rating of A/A stable from Standards and Pools.

- General Obligation bonds and notes, including premium, decreased by \$1 million. There were \$4 million of new general obligation bonds issued during the year.
- **General Fund - Fund Balance \$4,971,207a decrease of \$43,376**
- General Fund total fund balance \$4,971,207 a decrease of \$43,376 for the fiscal year.
- Unassigned fund balance of \$4.9M represented 6% of total general fund expenditures and transfers out. This was a reduction of \$1,305,500 from last year's Unassigned fund balance.
- Capital Projects Fund total negative fund balance of y \$5,048,236
- Non-major governmental funds fund balance \$5,365,616
- **General Fund Highlights:**
 - Property tax collections totaled \$41,109,833~ \$215K higher than budget.
 - Total revenues and transfers-in were higher than budgetary estimates by \$856K.
 - Expenditures were \$861,753 higher than budgeted appropriations. This was due to the under budgeting of Board of Education Healthcare.
 - Budgetary Modifications (additional appropriations) for the year totaled \$603,273 which were funded by fund balance.
- **Business Type Activities (Water & Sewer) and Internal Service Fund:**
 - Water - net position was \$17,288,188 a decrease of \$248,955.
 - Sewer - net position \$4,278,450a decrease of \$113,071.
 - Net position of the Enterprise Funds (Water & Sewer) totaled \$21,566,638 as of June 30, 2022; this was a decrease of \$362,026 from the prior year.
 - Net position in the Internal Service Fund was \$253,758a decrease from the prior year of \$200,000. This was a result of transferring money from the General Fund to the Internal Service Fund.
- **Fiduciary Funds - Pension Trust Fund**
 - Net position was \$27.1 Million decrease of \$4,893,404
 - Employer contributions to the fund were \$1.1Million and were in-line with actuarially determined contribution.
 - Net investment earnings for the year were \$2.575.358

- Net Pension Liability \$6,493,838
- Benefit payments and administration expenses were \$1.8 Million. These numbers were comparative to the prior year.

Ms. McTigue deferred to Mr. Stephen Gross to review the Federal and State Single Audits:

Mr. Gross stated under Uniform Guidance when there were \$750,000 in expenditures that a thorough audit was required to be conducted which included the Federal and State Audits.

- Federal awards expended - \$5.3M
- Major programs tested:
 - ✓ COVID-19 Education Stabilization Fund (ESF) \$1.4M.
 - ✓ Child Nutrition Cluster - \$1.5M
- Results: Unmodified or Clean opinion was issued on compliance for major programs tested.
- No findings on internal controls over major programs tested
- State awards expended \$17.4M, subject to test was \$3.9M.
- Major program tested:
 - ✓ Tiered PILOT and MRSA Pilot \$874K and \$310K
 - ✓ Vocational Agriculture \$997K.
- Results: Unmodified report on compliance for major program.
- No compliance or internal control findings.

Ms. McTigue explained that the Reports CliftonLarsonAllen LLP issued for these Audits were based only on the Programs that they tested noting that it was not an overall report based on all of the grants the town receives or spends.

Councilor Ingalls questioned the threshold to determine which programs were selected to be tested.

Ms. McTigue explained that the programs that were selected for testing was based on whether they received 2% of \$200,000 and whether the program had been tested during the audit process during the last two years.

- ***Required Communications***
- Qualitative aspects of accounting practices:
 - New GASB 87 - *Leases* implemented during FY2022.
A right to use lease asset and corresponding lease liability was now recorded for lease arrangements where the lease terms were greater than 12 months and the Town was the Lessee.

- Significant Estimates:
 - Net Pension Liability
 - Net OPEB Liability
 - Capital Assets - Useful Lives
 - Allowance for Uncollectible Receivables
 - Leases - Incremental Borrowing Rate

Significant deficiency on internal controls over financial reporting:

- Board of Education pre-paid items reported as expenditures in Fiscal Year 2022
- General Fund \$345K
- Aggregate remaining funds \$93K

- Difficulties encountered in performing the audit - None.

- Uncorrected/Corrected Misstatements

Ms. McTigue explained that *Uncorrected Misstatements* were items that were not material and did not present any deficiencies in control, however, CliftonLarsonAllen was required to present if there were any entries that were not included in the Financial Statements. She continued by noting the following Corrected Misstatements:

- Deferred outflows for contributions subsequent to measurement date for OPEB Plan 9 Board of Education Healthcare for Retirees (was immaterial to financial statement but required to report). The measurement date of the net OPEB Liability was done one year (June 30, 2021) prior to the reporting date of June 30, 2022. Any contributions made to the Plan after the measurement date are reported. (A7 in the Financial Statement).

- Rehabilitation Loans Received - An adjustment to the beginning balance related to the Rehabilitation Loans Receivable. Although the Rehabilitation Loan program was there it had not been reported in previous years. Beginning with the Fiscal Year 2022 they were now included in the Financial Statements. (was immaterial to financial statement but required to report).

Finance Director Matthew Bonin explained that the Rehabilitation Program was a Revolving Loan Program. He stated there were certain conditions on when the funds had to be paid back to the town. Therefore, he stated it had to be set-up as a *receivable* and the balance has to be deferred. He stated there was really no impact to the financial statements.

- Allocation of Net Pension Liability to business-type activities. The whole Net Pension Liability is reported as a Governmental Activity. However, some of the Pension Liability should be reported as a business-type activity. Because the town has decided to record the Pension Liability as a Government Activity that each year it will show as an Uncorrected Misstatement (was immaterial to financial statement but required to report).

- Prepaid items for Board of Education - The following items were corrected.
 - Board of Education had a pre-paid expenditure
 - General Fund \$345K
 - Aggregate remaining funds \$93K

Councilor Saums stated the intent for the pre-paid expenditures was to obtain a discount and he stated the need to correct the statement was a matter of accounting principles. Mr. Gross stated they were not sure if there was a discount associated with the pre-payment. Ms. McTigue stated regardless of the intent that the accounting had to be recorded in the year the expenditure was made.

- Journal Entrees were corrected and were attached to the governance communications.
- Disagreements with Management - None.
 - **Management Advisory Letter**
 - Capital Assets
Capital assets information is currently being tracked within excel spreadsheets. As tracking such a large volume of information in this manner can lend itself to mistakes and be difficult to verify the propriety of the information.

Recommendation - CliftonLarsonAllen recommended the Town consider specific capital asset software or a capital asset module to track the information.

Councilor Saums questioned whether the Capital Asset comment was regarding the Excel spreadsheet used for large trucks (fire apparatus, public works, etc.). He stated the Excel spreadsheet provides features that other software does not provide. Finance Director Matthew Bonin explained that the Munis module did not provide a format that was useful and that he was looking at other software to track the town's Capital Assets. However, he noted it could be a year or more before a software has been selected and implemented.

- Rehabilitation Loans
During the performance of our audit, management made us aware that the rehabilitation loans were not being properly tracked and reconciled to the general ledger.

Recommendation - CliftonLarsonAllen recommended the Town consider implementing a formal loan listing and reconcile to the general ledger.

- General Ledger Maintenance
During the performance of the audit on the Water Fund, CliftonLarsonAllen noted an isolated incident in which two invoices that pertained to fiscal year 2021 were expensed in fiscal year 2022.

Recommendation - CliftonLarsonAllen recommended the Town consider strengthening current controls and procedures in this area.

- **Matters Noted in the Previous Year**

Ms. McTigue stated the following matters involving the internal control over financial reporting and its operation were noted in the previous year but have not been fully remediated. Again, CLA has offered their recommendations as constructive suggestions for consideration as part of the ongoing process of modifying and improving accounting controls and administrative practices for Ledyard.

- Special Revenue Fund Accounting - Board of Education
The trial balances presented for the audit for the Education Grant fund and the

School Lunch Fund contained numerous account balances that were not properly recorded in accordance with grant accounting (accounts receivable, grant revenues, grant expenditures, etc.). As a result, adjusting journal entries were required for these accounts. CliftonLarsonAllen also noted that the Board of Education has made improvements from the prior year. The Auditors noted that all cash accounts were reconciled as of year-end.

Recommendation - CliftonLarsonAllen recommended that all Board of Education fund trial balances be properly reconciled to the underlying, supporting data in a timely manner at year-end.

Ms. McTigue stated although progress has been made by the Board of Education in tracking the Education Grant and School Lunch funds, which was reported in the prior year, that CliftonLarsonAllen would review the status of these comments during their next audit engagement. CLA has already discussed many of these comments and suggestions with various personnel, and that they would discuss them in further detail with the town, perform any additional study of these matters, or assist the town with implementing the recommendations.

Ms. McTigue noted that progress has been made by the Board of Education in tracking the Education Grant and School Lunch funds, which was reported in the prior year.

Councilor Saums stated that he would like to see the Town write a letter in response to CliftonLarsonAllen Auditors' Management Letter to tell them the measures that have been implemented and the recommendations that the town has not implemented and the reason they have not as they work to address the items identified in the audit.

Councilor Saums thanked Ms. McTigue for her informative report and presentation, and he opened the floor for questions.

CliftonLarsonAllen Auditors Ms. McTigue and Mr. Gross left the meeting at 5:31 p.m.

RESULT: RECEIVED AND FILED

V. APPROVAL OF MINUTES

Finance Committee Regular Meeting Minutes of January 4, 2023

Moved by Councilor Ingalls, seconded by Councilor Ryan

VOTE: 3 - 0 Approved and so declared

RESULT: APPROVED AND SO DECLARED

MOVER: Andra Ingalls

SECONDER: Tim Ryan

AYE: 3 Saums, Ingalls and Ryan

VI. FINANCE DIRECTOR'S REPORT

Finance Director Matthew Bonin reported that the Fiscal Year 2023/2024 Budget Preparation was underway. He noted all the Departments Heads have entered their budget requests in the ClearGov system. He noted that he and the Mayor would be meeting with Departments on January 25 & 26, 2023 to review their budget submittals.

FINANCIAL REPORTS

- Revenue Report December 31, 2022
- Expenditure Year-to-Date Report- December 31, 2022

Finance Director Matthew Bonin provided an overview of the following Financial Reports:

- ***Revenue Report dated December 31, 2022:***

Mr. Bonin noted the Revenues in the report were reflective of the postings thru November 31, 2022.

- Impact Aid received to date was \$50,000 - Mr. Bonin noted the Impact Aid was trending lower than what had been received by this time last year. He stated Board of Education Director of Finance and Human Capital Rachel Moser was looking into the reason the funding has not come in yet.

Superintendent of Schools Mr. Jason Hartling stated they were at the mercy of Federal Government's disbursement. He stated the delay of the Impact Aid may be related to what was happening in Washington D.C.

- Nursing Revenues was trending to fall about \$200,000 below budget by year-end.

- ***Expenditure Report dated December 31, 2022***

- Utilities were expected to come in over budget based on the rate increases of the power companies and cost of heating fuel.
- Dispatch Salaries were trending over budget, similar to last fiscal year.

Councilor Saums questioned whether the Emergency Communications Center was having to bring people in who were not normally scheduled to work. Mr. Bonin stated Dispatch has had a lot of overtime because they did not have any part-time dispatchers to help fill shifts. He stated a few years ago the schedule was changed and that Police Chief Rich was struggling with the budget.

Councilor Saums noted that the Outside Police Overtime was typically not an issue because the contractors pay the town to have a police officer at the site. Mr. Bonin stated that there was a timing issue involved because it could take some time before the contractor paid the town for the police officer and vehicle.

Councilor Saums stated during the budget preparation that he would like to discuss

whether the town could save some money by balancing the staffing with the overtime. He stated sometimes overtime was a good deal but sometimes overtime was not a good deal, noting that it would depend on how much overtime they were incurring.

RESULT: COMPLETED

OLD BUSINESS

1. Continued discussion regarding the status and possible changes to Capital Improvement Plan (CIP) and Capital Non-Recurring (CNR) Fund based on the American Rescue Act Funding (ARPA) and the process to approve ARPA Projects and expend ARPA Funding.

Councilor Saums stated Finance Director Matthew Bonin provided an updated spreadsheet regarding the status and funding for the ARPA Projects. He stated in the interest of time this evening that the Committee would defer this discussion to their February 2, 2023 meeting.

RESULT: NO ACTION

2. Any other Old Business proper to come before the Committee.
None.

VII. NEW BUSINESS

- 1 Discussion and possible action on the transfer of the Board of Education FY 21-22 operating budget audited surplus of \$448,253 to the BOE Capital Reserve Fund in accordance with the Town Council adopted resolution that created the funding mechanism. Not factored into the aforementioned surplus is the Board of Education Healthcare deficit for the same audit period of \$861,753.

Finance Director Matthew Bonin provided some background noting that the Town Council adopted a Resolution on September 28, 1988 that established a separate line item within the Town Capital Reserve Fund (Fund 210) for Capital Expenditures for the Board of Education. He explained per the Resolution, all surplus funds returned to the General Fund by the Board of Education were to be deposited in the Capital Reserve Fund for the Board of Education. He went on to explain per the Resolution that *“Surplus Funds shall be defined as reserves accumulated by the Board of Education according to their year-end audit statement”*.

Mr. Bonin went on to explain that the General Fund ended Fiscal Year 2021/2022 with an overall operating deficit of \$43,375. He stated the deficit reduced the Fund Balance at year end to \$4,971,207. He noted the biggest factor leading to the deficit was the under budgeting of Board of Education Healthcare. He stated the Healthcare for active employees was under budgeted by approximately \$350,000 and healthcare for retirees (\$512,000) was erroneously omitted entirely from the budget for a total shortfall of \$861,75. Councilor Saums noted that the Board of Education Healthcare resides on the General Government side of the ledger, however, he stated it was a

Board of Education expense which would reduce the Board of Education's surplus.

Mr. Bonin continued by noting that in addition to the healthcare deficit, several Board of Education revenue sources fell well short of budget noting the following:

- Impact Aid fell short of budget by almost \$113,000; and
- Tuition revenues fell short of budgeted projections by almost \$257,000.

Mr. Bonin went on to state that it should be noted that the Vo-Ag Stabilization Funding exceeded the budgetary estimate by \$302,00; but that the excess funding had already been transferred out of the General Fund by a previous Town Council action, noting that the overall net impact to the General Fund for all these items was a \$783,500 reduction to the Fund Balance.

Mr. Bonin explained the following factors resulted in a direct impact reducing the Fund Balance by \$1,305,500:

- During Fiscal Year 2022 they transferred out of the prior year's Board of Education surplus of \$566,000.
- The reduction to Fund Balance increased to \$1,349,500.
- Budgetary savings and revenues in excess of budgetary estimates in the Town portion of the budget

Mr. Bonin stated the budgetary savings and revenues in excess of budgetary estimates on the Town side of the budget led to an overall Fiscal Year 2021-2022 deficit of about \$50,000.

Mr. Bonin continued to explain the Town's Fund Balance Reserve Fund Policy adopted on May 23, 2018 called for a minimum Undesignated Fund Balance that equated to 7% of current year General Fund expenditures with an ultimate goal of 10%. He stated as of June 30, 2022, the Undesignated Fund Balance was 6% of current year General Fund Expenditures.

Mr. Bonin explained that transferring non-budgeted funds out of the General Fund would only further deplete Undesignated Fund Balance. He went on to explain that the Fund Balance and compliance with the Town's Fund Balance Reserve Policy was one of the areas of focus for the Bond Rating Agencies. He stated falling below the Policy threshold further could have a negative impact on the Town's bond rating.

Mr. Bonin suggested going forward the Board of Education Operating Budget include a Capital Line like the General Government Budget has. He explained the current Resolution for funding the Capital Reserve Fund for the Board of Education would always have a negative impact on General Fund Undesignated Fund Balance because it was calling for the transfer of funds to the Capital Fund that have not been factored into the budget. Therefore, he stated a potential alternative

to this funding method would be to budget for the Board of Education's capital contribution to a Capital Fund, similar to how the Town funded its Capital expenses.

Superintendent of Schools Jason Hartling stated a lot of analysis has been conducted regarding the Healthcare funding relative to last year's situation with the Board of Education's healthcare expenses not being properly funded. He stated this year would be a change in both revenues and expenses for how Healthcare would be budgeted. He stated for the Board of Education Retirees it would be a wash, noting that what the Board of Education Retirees pay in was what the town pays out, with the exception of +/- the \$10,000 - \$15,000 that was paid out for fees.

Mr. Hartling continued by addressing the Board of Education's over expenditures, noting that the Board of Education Central Office could not figure out where the numbers came from. Finance Director Matthew Bonin stated the numbers came from the Audit Report. Board of Education Director of Finance and Human Capital Rachel Moser stated that she pulled a final year to date report and that the Audit numbers were off, noting that the actual expenditures were \$33,165. Mr. Hartling stated the budget overage of \$33,165 was about 1.4% of the Board of Education's total budget. He stated this cost could be related to a few moves in or out of the School District of high costs students and or inability to execute on particular pieces. He stated it was what the Board of Education generally expected.

Mr. Hartling went on to address Revenues stating that the revenue has always been booked on the town side of the budget ledger and he commented that it shifted depending on whether it was to the positive or negative. He stated the each year the Board of Education recommended the revenue numbers for the annual budget preparation; however, the Town Council ultimately decided the revenue numbers that would be included in the budget. He went on to state whereas the Healthcare conversation, as they have discussed in the past, the Board of Education had no input relative to what the Board of Education Healthcare number should be in the budget. He stated that he has advocated to continue the practice that has been happening for the last fifteen years and that if they wanted to have a different discussion on what that should look like for this fiscal year or next fiscal year, then they should have that discussion transparently between the Board of Education and the Town Council, so that they were all on the same sheet of music noting that this decision that should be taken lightly.

Mr. Hartling commented on the Board of Education's capital expenses and he stated every capital improvement outside of projects that have been bonded were being bucketed into that Board of Education Capital Non-Recurring Fund. Therefore, he stated that he agreed with Finance Director Matthew Bonin, in that the current practice provided in the 1989 "*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*" was not the best way to budget their capital improvements. However, he

stated given Ledyard's per pupil rate that he did not have any room in their budget to provide an allotment for capital expenses. He stated that they have been repairing the school buildings and making capital improvements on any excess funding they had from year to year. He stated in analyzing the Board of Education's annual surplus that there was about \$2 million over the past five years that has not been transferred into the Board of Education's Capital Non-Recurring Fund. He stated as the Schools Superintendent that he was representing the Board of Education and he stated that there were a lot of conversations that needed to be had to figure out a path forward.

Councilor Saums stated for a number of years he has had a concern about how the Board of Education's capital expenses were handled, and he commented that there may be a better way to budget for the Board of Education's capital expenses. He noted as an example, the program the General Government had in place to budget for the replacement of fire/emergency apparatus and public works trucks/equipment. He explained that funding was allocated every year so that when the time comes to replace a piece of equipment the funding was in place. He went on to state that not only was the town funding the Board of Education's capital expenses out of the budget surplus that the town was also borrowing money to do that. He stated when they borrow (bond) money they pay interest, ultimately costing the town more money. He stated that a much larger discussion to address these issues needed to be had.

Mr. Hartling stated by delaying the transfer of the Board of Education's surplus to their Capital Fund would put many projects at risk. He stated last summer (2022) they were not able to do the High School Classroom Renovation projects because of supply chain issues. He stated if they do not move forward with the process that the classrooms would not get done again this summer (2023). He stated that they were having the same issues with the Board of Education Central Office and School Roof Replacement Projects noting that delays and cost escalations would also impact the projects.

Board of Education Finance Committee Chairman Mike Brawner stated that he agreed that the Board of Education and Town Council needed to have discussions regarding capital expenses. He suggested after this budget season they schedule a Joint Meeting between the two Finance Committees (Board of Education and Town Council) to brainstorm. Councilor Saums stated he agreed with Mr. Brawner. He stated the short-term issue and the question they had to answer was "*What to do the Surplus this year*" as explained by Finance Director Matthew Bonin this evening.

Councilor Ryan stated that he had some questions regarding the math in the spreadsheet. However, he stated it was something they could work out during another discussion. He stated before the Board of Education and the Town Council Finance Committees had any discussions, that they need to understand the Capital Non-Recurring Fund Balance and the cadence and phasing for the funding needed for the planned expenditures. He stated at a minimum that he would need to understand where they would land in terms of anything that would impact the Capital

Non-Recurring Fund. He stated this information was critical to understand before they decide on what to do with the movement of money.

Councilor Saums suggested they have a meeting soon to understand what the math is and to try to come to an agreement between the Board of Education and Town Council on what was happening with the General Fund and the Capital Non-Recurring Fund. He stated that they also have an outstanding task to put a procedure in place on how to handle healthcare expenses overall.

Finance Director Matthew Bonin stated that they could not wait until after the Budget Season to discuss the Board of Education's capital expenses, explaining that they needed to discuss the funding source.

Superintendent Hartling stated the past practice has been to transfer the Board of Education's budget surplus to their Capital Fund in accordance with "*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*". Therefore, he stated the funds should be transferred to the Board's Capital Non-Recurring Fund. He went on to state in the Board of Education's approved Capital Plan that there were projects that would be funded from: (1) Board of Education's Capital Non-Recurring Fund (CNR); (2) Town related funds; and (3) Bonding. He stated it was not assumed by any member of the Board of Education that any item on the Capital Improvement List would be simply transferred over from the CNR Fund. He stated this was an unspoken conversation, noting that it was not the general understanding. He stated based on the Annual Budget Town Meeting the presentation regarding Capital Improvements that one would think that the projects were being funded by all new money, with "Grants" written in another column. He stated it was a less than clear explanation of where the Board of Education's Capital Funds were coming from. He stated the Board of Education has put together a Fiscal Year 2023/2024 Capital Improvement Plan, which included what they needed to finish out from this current year and what they believed should be in their Capital Fund based on the end of year balance provided by the Auditors, which would get them thru the next capital cycle. However, he stated there were items on the Board of Education's Capital Plan that the Town would need to decide whether they wanted to take on, noting that the Board of Education would never have enough money in their Capital Fund using their Budget Surplus to do the work that needed to be done to maintain and upgrade the Schools Facilities the way they need to be maintained.

Mr. Hartling concluded his comments by stating that if the Board of Education's Fiscal Year 2021/2022 budget surplus was not going to be transferred to their Capital Fund that they would not be able to move forward with the High School Classrooms Renovations this summer because he would not be able to order the equipment in time for the projects to be executed, noting that they would be kicking the can down the road again.

Councilor Saums stated he understood Mr. Hartling's comments; but that the Finance Committee would not be making a recommendation this evening.

RESULT: DISCUSSED

2. MOTION to adopt proposed revisions to the "Resolution Establishing Administrator/Department Head Benefits" as contained in the draft dated January 9, 2023.

Moved by Councilor Ryan, seconded by Councilor Ingalls

Discussion: Councilor Saums stated the Finance Committee began discussing proposed revisions to the "*Resolution Establishing Administrator/Department Head Benefits*" at their January 4, 2023 meeting. He stated one addition to the Resolution stated that Department Heads would be paid at a rate that may not be less than the percentage of the highest union-contracted increase for that fiscal year. He stated because the Committee felt that the Resolution, as written, could be subject to misinterpretation, they withdrew the item and asked that the phrase be more carefully worded to avoid unintended consequences.

Councilor Saums went on to state that subsequent to their January 4, 2023 Finance Committee meeting that he and Administrator of Human Resources Don Steinhoff discussed a revision to the proposed language in the Resolution that would refer to CCM's Municipal Labor Relations Data Reporter as the basis for Gross Wage Increases (GWI).

Councilor Saums noted the proposed language to the Resolution was as follows:

"Employees shall be paid at the rate as designated by the Mayor or contractually negotiated. Increases in wages shall be effective on the first day of July and may not be less than the highest gross wage increase (GWI) percentage of the highest union contracted increase for that fiscal year."

Councilor Saums stated using the CCM's Municipal Labor Relations Data Reporter as the basis for Gross Wage Increases (GWI) that the following new language was suggested:

"Employees shall be paid at the rate as designated by the Mayor or contractually negotiated. Increases in wages shall be effective on the first day of July and may not be less than the average negotiated gross wage increase (GWI) percentage for the same fiscal year as reported by the Connecticut Conference of Municipalities in the CCM Municipal Labor Relations Data Reporter for the month of January of the calendar year in which the Mayor is assembling the proposed budget."

Councilor Saums explained an example of how this language would be applied using the attached table, would be if the Mayor were proposing a budget for the coming year FY23-24, that he would use the average negotiated GWI for FY 23-24 which was 2.40%.

WITHDRAWN

RESULT: WITHDRAWN

MOVER: Tim Ryan

SECONDER: Andra Ingalls

3. Any other New Business proper to come before the Committee.

MOTION to recommend the Town Council allocate funds from the American Rescue Plan Act (ARPA) for the replacement of the following HVAC Systems:

- Ledyard Emergency Services Building at 11 Fairway Drive
- Ledyard Parks and Recreation/Senior Citizens Facility at 12 Van Tassel Drive

In addition, that the Public Works Director solicits bids for the projects in comparison to the cost estimates already obtained from the State Bid List.

Councilor Saums stated that there were three items that were an unanticipated expense and he asked Public Works Director/Town Engineer Steve Masalin to provide an overview of the items.

Public Works Director/Town Engineer Steve Masalin stated this year there have been a number of HVAC issues noting the following:

- Town Hall HVAC System failed this past summer. The \$80,000 HVAC System was replaced using funding from the American Rescue Plan Act (ARPA).
- Bill Library HVAC System was also replaced.
- Emergency Services Building on Fairway Drive HVAC Systems failed (both heating and air conditioning). Mr. Masalin stated the system was 21 years old and he explained that they just completed heating system, which was paid for using the Building Maintenance Reserve, in an unanticipated way.
- Parks and Recreation/Senior Citizens Facility on Van Tassel Drive HVAC Systems failed (both heating and air conditioning). Mr. Masalin noted the air conditioning system failed last summer and they had to use window units. He stated the heating system was limping along, noting the 32 year old original gas boiler was inefficient. It was also noted that this facility was used as a Cooling Center during the summer months.

Mr. Masalin went on to state cost estimates were obtained thru the State Bid List to complete the HVAC needs for both Emergency Services Building (\$190,000) and the Parks and Recreation/Senior Citizens Facility (\$150,000). He stated the combined estimated cost for the two buildings was \$340,000. He stated although one of these HVAC projects could be paid from the Building Maintenance Capital Reserve Account, that it would completely exhaust The Building Maintenance Reserve Account and he noted that other scheduled projects on the docket would have to be set aside for lack of available funding. He stated he presently has not asked for more

of an appropriation this year for the Building Maintenance Reserve Fund than has been made in the last few years. Therefore, he stated that they would need some supplemental funding to address both the Emergency Services Building and the Parks and Recreation/Senior Citizens Facility HVAC Systems, whether the funding comes from a special appropriation or grant funding, which he did not see on the horizon.

Councilor Saums stated he was shocked by the estimated costs to replace the HVAC Systems at these two town facilities. He stated although there was some residual American Rescue Plan Act (ARPA) funding that they were planning to use the funds for the Ledyard Center Sewer Extension Project. However, he stated because the HVAC Systems were time sensitive that he would suggest using some ARPA funding for the HVAC Systems, noting that the town would more likely be able to obtain grant funding for the Ledyard Center Sewer Extension Project over HVAC Systems.

Mr. Masalin explained that the time sensitive part was because this State Bid Contractor had exclusive commitments from May 1- September 1, 2023. He stated if they do not move forward with these State Bid List proposals that they would need to find another contract through a different proposal and hope that the function costs would be similar.

Councilor Saums stated he had reservations about using the State Bid List Contractor because the cost seemed high. Mr. Masalin noted in replacing the Town Hall HVAC System last summer (2022) that they were able to bring the Contractor in under the State Bid List noting that the cost was lower. Therefore, he stated if they were going to use the competitive bid process that they would have a different means of measurement of what their absolute dollar value would be based on that process. He also noted that they would have to prepare the scope and specifications for the bid process. Councilor Saums recognized the work and time involved to solicit complete bids and he stated that based on the cost estimates already obtained that it may be worth it.

Councilor Ryan stated it was unfortunate that the HVAC Systems at both Emergency Services Building and the Parks and Recreation/Senior Citizens Facility have failed. He noted the American Rescue Plan Act (ARPA) spreadsheet shows that there were some uncommitted funds that would support these projects. He stated that he agreed with Councilor Saums in that the town would have a better chance of obtaining grant funding for the Ledyard Center Sewer Extension Project than they would for the replacement of HVAC Systems. However, he stated this was not the situation they had hoped to be in. He stated that he also agreed that the longer they delayed the projects that the cost would only increase.

Finance Director Matthew Bonin stated the American Rescue Plan Act (ARPA) Funds had to be committed by December 31, 2024 and spent by December 31, 2026.

MOTION to recommend the Town Council allocate funds from the American Rescue Plan Act (ARPA) for the replacement of the following HVAC Systems:

- Ledyard Emergency Services Building at 11 Fairway Drive
- Ledyard Parks and Recreation/Senior Citizens Facility at 12 Van Tassel Drive

In addition, that the Public Works Director solicits bids for the projects in comparison to the cost estimates already obtained from the State Bid List.

Moved by Councilor Saums, seconded by Councilor Ingalls

Discussion: See above.

VOTE: 3- 0 Approved and so declared

****POST MEETING NOTE**:** 1/23/2023 - This item was not included on the Town Council's January 25, 2023 Agenda.

From: William Saums <WSaums@ledyardct.org>

Sent: Monday, January 23, 2023 2:23 PM

To: Andra Ingalls <aingalls@ledyardct.org>; Timothy Ryan <tryan@ledyardct.org>

Cc: Roxanne Maher <council@ledyardct.org>; Steve Masalin <pwd@ledyardct.org>

Subject: HVAC system motion for Wednesday night

Andra, Tim,

Steve Masalin called me Thursday after the finance meeting to say he had spoken with Shawn Ruszczyk about getting bids for the HVAC work instead of using the state bid system. Shawn provided more details about the systems involved in the EMS and Senior Center buildings, and said that putting an RFP together would be complicated due to the complexity of the systems and structures involved.

Steve says he would need to hire an engineer to develop the specifications for the systems, and that doing so and managing the RFP would add cost to the process. He says they already have two quotes from two firms using the state bidding system, and he would like to take the motion off Wednesday's agenda until he can put more thought and detail into the project.

Just letting you know this will be coming back to finance when he has more information, so we will not move on it Wednesday night. Even if we don't get bids, it will require council action to use ARPA funds.

The Motion to use of ARPA Funding for the replacement of the HVAC Systems at the Emergency Services Building and the Parks and Recreation/Senior Citizens Facility would come back to the Finance Committee at a later time.

RESULT: RECOMMENDED FOR APPROVAL

MOVER: Bill Saums

SECONDER: Andra Ingalls

IV ADJOURNMENT

Councilor Saums moved the meeting be adjourned, seconded by Councilor Ingalls.
VOTE: 3 - 0 Approved and so declared, the meeting was adjourned at 6:21 p.m.

Respectfully submitted,

William D. Saums
Committee Chairman

Finance Committee

DISCLAIMER: Although we try to be timely and accurate these are not official records of the Town.