

Minutes of the regular meeting of the Board of Finance held on October 21, 2009 in the Madison Town Campus

Present: Chairman Kathleen Rossini, Owen Charles, Peggy Lyons, Fillmore McPherson, Kathleen Stahelski, Jennifer Tung

Also present: Dotty Bavin, Finance Director, Alicia Betty, Trust for Public Land; Bob Hale, Board of Education Chari; David Klein, Superintendent of Schools; Bill Linsley, Independent Bond and Investment Consultants; Gail Fearon, two members of the public; MCTV

Ms. Rossini called the meeting to order at 7:30 p.m.

1. Approval of minutes – September 16, 2009 regular meeting. The following corrections were made to the minutes of the regular meeting of September 16, 2009.

Page 4, Item 7, second paragraph, last line should read “Town without knowing if they have set aside any funds for reserve accounts.

Page 5, Item 9, first paragraph, last line should note that “this summary page will **not** be included”

Page 5, Item 10, second paragraph, third line should refer to “**potential** variance” rather than “**annual** variance”

On motion made by Mr. McPherson, and seconded by Ms. Rossini, the Board voted unanimously to approve the minutes of the regular meeting of September 16, 2009 as amended.

2. Citizen and Finance member comments. Ms. Stahelski noted that this is Mr. McPherson’s last meeting as a member of the Board of Finance after serving for 8 years. She noted that he has provided a great amount of wisdom and guidance to the Board and has been especially helpful to new members as they began their service to the Board.

Ms. Tung noted that as the only present member that served for two of the four years that Mr. McPherson was Board of Finance Chairman she wanted to state that he always showed himself to be well organized, efficient, timely and a good planner when he served in this capacity.

Mr. Charles noted that he had requested information for Departments to be able to use a budget justification approach for the budget process and Ms. Bavin is moving forward with putting this information together. This information will be beneficial in providing data to back up the Departments’ oral presentation and requests. Ms. Rossini recommended that this information be provided to Departments as soon as possible.

3. Approval of minutes – August 19, 2009 (tabled 9/16/09). On motion made by Mr. McPherson, and seconded by Mr. Tung, the Board voted unanimously to remove

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from the table for action approval of the minutes of the regular meeting of August 19, 2009.

Mr. McPherson provided alternative wording for item #3, Citizen and Finance Member comments as follows:

“Mr. McPherson reported good news regarding setting up the medical trust fund for Police retirees which had been proposed as per GASB 45. \$30,000 per year has been deposited in a reserve account for each of the past two years, for a total of \$60,000, in preparation for establishing the \$3 million trust fund. There had been some question about whether the rating agencies would require such a trust fund because the police contract adopted three years ago dropped retiree medical coverage for new hires. Thus, the group in question constitutes a “closed group” and the potential liability would not be growing at a fast rate, and would, in fact, ultimately decline. Mr. McPherson noted that Moody’s Investor Services agreed with his argument and stated that the trust fund was not necessary for Madison. Mr. McPherson suggested that the existing reserve fund of \$60,000 be maintained as a back up but not added to. Mr. McPherson noted that Moody’s was very impressed with the Town’s overall financial policies. Mr. Goldberg added that they were very impressed with how the Town has been managing its financial affairs during the recession.”

On motion made by Mr. McPherson, and seconded by Ms. Tung, the Board voted to approve the minutes of the regular meeting of August 19, 2009 as amended. Ms. Rossini, Mr. Charles, Mr. McPherson, and Ms. Tung voted in favor of the motion and Ms. Lyons and Ms. Stahelski abstained.

4. Discuss and take action on document relating to the proposed acquisition of the Griswold Property. Ms. Rossini read the Resolution for Griswold Airport Property Acquisition and Improvements into the record as follows:

BE IT RESOLVED that the Board of Finance approves and recommends that the Town of Madison appropriate \$9,000,000, and authorize the issue of bonds or notes and temporary notes in the same amount to finance said appropriation for (a) costs in connection with the acquisition for open space, recreational, and other municipal purposes of approximately 42 acres of land, and the improvements thereon and appurtenances thereto if any, known as the Griswold Airport Property situated along the Boston Post Road, U.S. Route 1, in the Town of Madison, as described in the Town of Madison Land Records at Volume 1493, Page 061 and Volume 1493, Page 065; (b) costs in connection with the decommissioning of the airport, land restoration and various improvements to the property in connection with its use for open space, recreational, and other municipal purposes; and (c) costs in connection with the financing of the project. The Board of Selectmen shall be authorized to determine the particulars of the project and may reduce or modify the scope of the project, or may delegate any or all of such

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authority to any committee established by the Board of Selectmen for the improvement of the property to be acquired; and the entire appropriation may be expended on the project as so reduced or modified. The amount of bonds or notes authorized shall be reduced by the amount of grants or donations received by the Town for the project and not separately appropriated to pay additional project costs.

Ms. Rossini noted that this is the first time the Board is receiving financial information on the proposed Griswold purchase although the topic was discussed at our last meeting. The topic may warrant calling a special meeting within the next two weeks if the Board needs more time or information to reach a decision because of contract constraints.

Ms. Alicia Betty, The Trust for Public Land Presentation, was in attendance to give a presentation on the proposed acquisition.

Ms. Betty reviewed the mission of the Trust for Public Land noting that they are a non-profit funded through donations whose mission is to conserve land. She noted that the price of the Griswold Property is \$9.7 million with \$8 million to come from Town bonds and \$1.7 million committed in private funds. In addition the Town has bonded up to \$1 million for park renovations. Additional grants will be sought to defray costs. Ms. Betty noted that the property appraisals came in at \$9,650,000 and \$10,500,000. The appraisers looked at the value of the property as having the ability to be developed with approved permits in place and this is a good price as per Madison standards. These are conservative values since the property includes some wetlands, has river frontage and includes critical habitat. There is a \$25,000 demolition credit included at closing if demolition has not begun by the April, 2010 closing date. Ms. Betty noted that if the purchase fails to be approved, the Town will be obligated for pay for the Land Trust fees. There will be opportunities for public open site visits on October 18 and November 7 and there will be public information session on November 17 at Polson School.

Ms. Betty showed the Board members an aerial view of the property and reviewed the proposed vision for use of the Griswold property which includes conservation and passive recreation uses, recreational field uses and a possible small commercial area.

In response to a question by Mr. McPherson, Ms. Betty noted that about half of the acreage would be included in the conservation area.

Mr. Charles commented that while there is a lot of information out on this project, there are also a lot of inaccuracies and he recommended that some effort be made to clarify the issues in question.

Ms. Lyons suggested that some review be done of possible future operational costs for the property if it is purchased by the Town.

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In response to a question by Ms. Tung regarding the number of fields possible on this property, Ms. Betty noted that it is her understanding that there are adequate space six athletic fields.

Mr. McPherson noted that the Town expects to sell bonds next summer and he questioned if this project would be included in those bonds if the purchase is approved. Mr. Lindsey noted that there will be a review of how close the Town is now to the maximum debt service. Ms. Tung commented that it will be important to carefully monitor the Town debt especially with possible additional debt coming up with the Academy Street School. Information provided to the public on bonding should also include information on the Ambulance and Senior Center projects. It is important to see how close our existing bonding, coupled with the proposed Griswold bonding, brings us to the 10% bonding limit allowed by regulation.

Ms. Stahelski commented that if a vote takes place in December that will provide time for approximately 3 months for fund raising activity. She noted that if the Town chooses not to move forward with this purchase, the property will be developed. Ms. Rossini also noted that the tax impact of this purchase is estimated to be about \$17 per \$100,000 of value so the impact on an average Madison home would be about \$68 per year.

Mr. McPherson commented that it is important to get information out so there is an informed electorate and this information should include estimates for operation costs. He commented that he is in favor of the project.

Ms. Rossini commented that she believes the Madison voters should be provided with the opportunity to vote on this purchase and agrees that all necessary information should be made available to help the voters make an informed decision.

Mr. Charles noted that he is in support of the purchase and believes that, as a unique piece of waterfront property, it would be a good long-term investment.

Ms. Tung commented that some people would vote with their hearts and others with their wallets. It is important that the vote goes to the public and not be stopped at the Board, as in the past.

After discussion, on motion made by Mr. McPherson, and seconded by Mr. Charles, the Board voted unanimously to adopt the following resolution:

BE IT RESOLVED that the Board of Finance approves and recommends that the town of Madison appropriate \$9,000,000, and authorize the issue of bonds or notes and temporary notes in the same amount to finance said appropriation for (a) costs in connection with the acquisition for open space, recreational, and other municipal purposes of approximately 42 acres of land, and the improvements thereon and

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appurtenances thereto if any, known as the Griswold Airport Property situated along the Boston Post Road, U.S. Route 1, in the Town of Madison, as described in the Town of Madison Land Records at Volume 1493, Page 061 and Volume 1493, Page 065; (b) costs in connection with the decommissioning of the airport, land restoration and various improvements to the property in connection with its use for open space, recreational, and other municipal purposes; and (c) costs in connection with the financing of the project.

The Board of Selectmen shall be authorized to determine the particulars of the project and may reduce or modify the scope of the project, or may delegate any or all of such authority to any committee established by the Board of Selectmen for the improvement of the property to be acquired; and the entire appropriation may be expended on the project as so reduced or modified. The amount of bonds or notes authorized shall be reduced by the amount of grants or donations received by the Town for the project and not separately appropriated to pay additional project costs.

5. Discuss and take action on the Board of Education's proposal for establishment of a Reserve Fund for Unanticipated Special Education Placements. Mr. Hale and Superintendent of Schools David Klein were present to discuss the Board of Education's proposal for establishment of a Reserve Fund for Unanticipated Special Education placements. Mr. Hale noted that last year the Board of Education turned back \$219,000 at the end of the fiscal year and the Board of Education is requesting that \$75,000 of these funds be deposited into a Reserve Fund for Unanticipated Special Education Placements to be created. Future funding would come from any surplus at the end of each fiscal year. The Board of Finance would develop a process of how the funds would be accessed. A preliminary draft for the reserve fund was provided for discussion.

The School Superintendent noted that the district has budgeted for special education in the past by budgeting for net costs; however, there are generally some costs that cannot be anticipated. He reviewed an analysis of unanticipated student situations that have occurred over the past 5 years. He noted that in FY 04-05 there were three unanticipated situations that resulted in the expenditure of \$50,000 in unbudgeted funds, in FY 05-06 there were seven unanticipated situations that resulted in the expenditure of \$178,000 in unbudgeted funds, in FY 06-07 there were five unanticipated situations that resulted in the expenditure of \$103,772 in unbudgeted funds, in FY 07-08 there were eight unanticipated situations that resulted in the expenditure of \$138,574 in unbudgeted funds and in FY 08-09 there were eleven unanticipated situations that resulted in the expenditure of \$284,569 in unbudgeted funds. In summary, there are an average of seven situations per year that cannot be anticipated at the time of the budget preparation at an average cost of \$155,000. This year the estimate is \$200,000. He noted that the Town of Madison does not have an abnormally high number of special education children since Madison is at 10.3% and the State average is 11.5%. Currently 99.3% of the student population is educated in Town rather than out of district. Meetings are held weekly in an effort to manage situations as well as possible.

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Mr. Hale commented that he believes it would be a great benefit to have this proposed reserve fund in place to help deal with this situation that typically occurs annually.

Ms. Stahelski commented that, as she suggested, the Board has been talking about the importance of such a reserve fund for a while now. She noted that the Town's bonding people have indicated that designated reserve funds are better than undesignated reserve funds so it appears to be a good idea to create reserve funds for items we know will be an issue.

Mr. Charles noted that past experience shows that there is a need for a reserve fund so he supports this idea. He also recommended that the Town conduct an analysis of all of the reserve funds to help assist with looking at the whole picture.

Mr. McPherson commented that he supports the idea but in a different way. He would propose a special fund, similar to the medical cost fund, that can be expended during the year as needed. The amount needed would be budgeted and then remain in the fund for use as needed. Ms. Bavin noted that there would be a problem with making payments from a reserve fund rather than a line item.

Mr. Hale noted that no matter what system is set up, the decision to release funds would remain with the Board of Finance. He noted that there has always been a good relationship and good level of trust between the Board of Education and Board of Finance.

Ms. Lyons commented that if this reserve fund is created, she would recommend that if there are ever any unexpended special education funds during a fiscal year, the balance should be transferred to the reserve fund.

Ms. Stahelski noted that it will be important to still do true budgeting based on the best information available not to build in a contingency.

After discussion, on motion made by Mr. McPherson, and seconded by Ms. Tung, the Board voted unanimously to approve the concept of establishing a Reserve Fund for Unanticipated Special Education Placements and to develop administrative procedures based on the model of the Planning Reserve Fund.

Mr. McPherson thanked Mr. Hale for his 14 years of service on the Board of Education.

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6. Discuss and take action on acceptance of a Youth Service Bureau grant for \$28,497 to Youth and Family Services from the State Dept. of Education. This is the 26th year of funding for this grant. On motion made by Ms. Rossini, and seconded by Mr. McPherson, the Board voted unanimously to accept a Youth Service Bureau grant for \$28,497 to Youth and Family Services from the State Department of Education.

7. Discuss and take action on acceptance of a Federal Drug Free Communities Grant for \$125,000 from SAMHSA to the M.A.D.E.Coalition. This is the second year continuation of this grant. On motion made by Mr. McPherson, and seconded by Ms. Tung, the Board voted unanimously to accept a Federal Drug Free Communities Grant for \$125,000 from SAMHSA to the M.A.D.E. Coalition.

8. Discuss and take action on request from Beach and Recreation Department to request funding from the Erwin Bauer Charitable Trust Fund for the continuation of the following project: Habitat Exploration Programs – Bauer Park and Rockland Preserve. On motion made by Mr. Charles, and seconded by Mr. McPherson, the Board voted unanimously to approve the request of the Beach and Recreation Department and approve the transfer of \$19,000 from the Erwin Bauer Charitable Trust Fund for the continuation of the Bauer Park and Rockland Preserve Habitat Exploration Programs.

Ms. Bavin noted that this project has expanded a number of years and unexpended funds are carried over.

9. Discus and take action on donation of sixteen (16) – 48” round lightweight folding tables for the Surf Club from Robert Ziedman of Insalco Corporation of Cheshire. These tables are valued at \$2,954.60. On motion made by Ms. Tung, and seconded by Mr. McPherson, the Board voted unanimously to accept the donation of sixteen (16) – 48” round lightweight folding tables, valued at \$2,954.60 for the Surf Club from Robert Ziedman of Insalco Corporation of Cheshire.

10. Discuss and take action on request from the Ad-Hoc Energy Committee to apply for a U.S. Department of Energy Grant for a Regional Energy Manager. This grant would be awarded by the CT Office of Policy and Management. Ms. Bavin noted that action by the Board of Finance will allow the Ad-Hoc Energy Committee to apply for the grant and while there is not specific information available at this time, there will be time to review specifics at a later date.

The Board members were concerned with the lack of back-up being provided and agreed that they did not have adequate information to take action at this time and asked that the item be tabled.

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On motion made by Ms. Tung, and seconded by Mr. McPherson, the Board voted unanimously to table action on the request from the Ad-Hoc Energy Committee to apply for a U.S. Department of Energy Grant for a Regional Energy Manager until additional information is received.

11. Discuss and take action on Undesignated Fund Balance Policies and Regulations. Ms. Rossini noted that she left this item on the agenda to continue discussion on a philosophic concept of how much the Town needs to set aside for a rainy day.

Board members were provided with hand outs on the budget history and on the Town's reserve funds.

Mr. Charles recommended that additional information be obtained with a request to CCM for information on the undesignated fund balances for Town of a similar size.

Mr. Linsley reviewed information prepared by Independent Bond and Investment Consultants. He noted that the GOA recommended practice is to maintain an unreserved fund balance of no less than 5-15% of revenues or of no less than 1-2 months of regular general fund operating expenditures and Madison falls within this guideline. Mr. Linsley reviewed comparisons of the policy goal of various towns and their Moody's rating. Mr. Linsley reviewed the reserve level prospective noting that of 6/30/08, Madison's undesignated unreserved fund balance is 9.2%. Ms Lyons noted that this figure does not include designated reserve fund balances. Mr. Linsley noted the factors reviewed for a credit rating, which includes economic factors, administrative factors, financial factors and debt factors, and the weighing of these factors will vary by credit and circumstances. In general fund balance reserves are heavily weighted.

In response to a question by Ms. Lyons, Mr. Linsley clarified that rating agencies will generally penalize Towns for going into reserve funds for under-budgeting.

Mr. McPherson noted that the Contingency Fund can be considered a reserve for unforeseen expenses.

Ms. Lyons commented that, based on Mr. Linsley's presentation, it appears that a policy in the 9-10% range is in line with where the Town needs to be from a rating agency standpoint. However, her interest in reviewing this policy was due to the amount of cash the Town retains on its books and the additional money generated at the end of each fiscal year over and above the 10% fund balance. The Town's conservative fiscal planning is built on a 3 – legged stool that includes the 10% undesignated fund, reserve accounts for major expenditures, and conservative revenue forecasting. She feels there needs to be a continued review of all of these policies and a discussion of Board practices when applying extra funds at the end of the year to reduce the mill rate.

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Ms. Stahelski commented that the information provided by Mr. Linsley was very helpful and agreed that it is helpful to look at information on other comparable towns. She suggested that it would also be helpful to receive information on the policies of other towns regarding their undesignated funds. Ms. Stahelski noted that, after reviewing the information provided and listening to the discussions of the Board, she would lean toward not changing Madison's current policies. Ms. Rossini commented that she agrees that the information provided shows that 10% is the correct figure for Madison.

Ms. Lyons suggested that another issue to look at is the Tax Collection rate. Mr. McPherson noted that the tax collection rate was lower in the past and he asked Mr. Linsley if it would be good for the Town to increase the Tax Collection rate for budgeting

purposes to 99%. Mr. Linsley recommended that the Town set up a formula based on the actual collection rate for the last 5 to 10 years and uses these historic numbers as a guide.

Ms. Rossini commented that it helps to know that the Board of Finance is doing its job well. There was a general consensus among the Board members that they do not want to take action on any changes in the undesignated fund balance policies and regulations at this time.

12. Discuss and take action on Special Appropriation request of \$20,000 for additional funding required for projected expenditures for 2009-2010 fiscal year for unemployment benefits. On motion made by Mr. McPherson, and seconded by Ms. Tung, the Board voted unanimously to approve the request of the Finance Office for a special appropriation of \$20,000 from Contingency to Account No. 1-100-7100-0000-2500-920-00, Employment Services, to provide additional funding required for projected expenditures for 2009-2010 for unemployment benefits.

13. The following line transfers are designated as routine and appropriate for approval as a single action by the Board of finance, if so desired. A Board member may request removal of any line transfer item from the consent agenda for review and discussion.
Motion: to approve line transfers totaling \$19,389.15.

Ms. Bavin noted that the transfer in the Selectmen's Office is needed to reconcile the salary account due to a position upgrade in the Selectmen's Office and for unbudgeted overtime for the Secretary for Board of Selectmen meetings and minutes. In response to Ms. Tung's comment that line item transfers for these accounts have occurred up to 3 times in the past year, Ms. Bavin stated that better information would be provided for the upcoming budget cycle to avoid this in the future

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On motion made by Ms. Rossini, and seconded by Mr. Charles, the Board voted unanimously to approve line transfers totaling \$19,389.15 as noted on Town of Madison Summary of Line Transfers dated October 21, 2009.

14. Review of Financial Reports. Ms. Bavin provided an update on the Education Cost Share program. She noted that normally the funding goes to the Town, however, this year 14.2% of the ECS grant will go directly to the Board of Education in the form of revenue. The Board of Education will be responsible for assigning individuals to this funding to track and provide information needed to track the stimulus money. She clarified that the total to be received will be the same amount that was budgeted, however a portion will go directly to the Board of Education where it will be tracked and audited separately. Because of these funds coming from stimulus money, the Board of Education will have a balance of funds left in its budget. She advised that no action be taken as a result of this change because it would then be difficult to track the budget in future years.

In response to a question by Ms. Lyons, Ms. Bavin noted that there would be no anticipated additional expenses as a result of this funding.

15. Liaison Reports. Mr. Charles noted that the Police Commission held a public hearing tonight to provide an opportunity for public input on the hiring of the new Police Chief. The nationwide search generated 100 applicants and the Police Commission is confident they will have a good list of candidates from which to choose. The successful candidate will need to understand that he/she will need to represent the interest of the residents of Madison. Phase 1 of the selection process involves a reference check, answering essay questions, and a recommendation to the Selection Committee who will narrow the field down to 3-5 to be interviewed. Mr. Charles noted that the contract for the individual selected will include a probationary period. Ms. Tung recommended that the committee look at the State guidelines regarding an appropriate probationary period and the ability to remove a chief of police in the future. The representatives from the Board of Finance working on this issue are Ms. Rossini and Mr. Charles.

Ms. Tung noted that there will be a presentation by the Joint Facilities Review Committee on Thursday, October 29 at 7:00 at the Memorial Town Hall and the public is encouraged to attend. Ms. Tung noted that there has been a discussion on the Probate Judge issue and its possible impact on office space and four options for the Academy School will be discussed on Thursday.

16. Report from First Selectman. Mr. Goldberg was in attendance at the above mentioned police Commission public meeting. .

17. Citizen Comments. Ms. Rossini thanked Mr. McPherson for his guidance to her when she became the Board of Finance Chairman two years ago. His background has made him a very beneficial member of the Board and he is greatly respected.

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Mr. McPherson thanked the Town noting that it has been a privilege to serve Madison. He has enjoyed the discussion and debates that have occurred and enjoys seeing Madison move forward. He is confident that the Town will continue to practice sound fiscal management.

Board of Finance members were provided with correspondence provided by Audubon Connecticut on investing in our natural resources and the economic benefits of fish and wildlife associated recreation in Connecticut.

18. Adjournment. On motion made by Mr. McPherson and seconded by Ms. Stahelski, the Board voted unanimously to adjourn the meeting at 10:30 p.m.

The next meeting will be held on Wednesday, November 18, 2009.

Terry Holland-Buckley
Clerk