

DRAFT

**MONROE BOARD OF FINANCE
Monroe, Connecticut**

**Regular Meeting Minutes
June 24, 2015**

Present: Chairman Michael Manjos
Board Member Debra Dutches
Board Member Carl Ferraro
Board Member Ted Quinlan

Also present: Tax Collector Manny Cambra
Finance Director Ron Bunovsky, Jr.
Deputy Finance Director Heidi Meade

Absent: Vice-Chairman Scott Ownes
Board Member John Ostaszewski
First Selectman Steve Vavrek

CALL TO ORDER-*Chairman Manjos* called the meeting to order at 7:30 p.m.

REVIEW OF MINUTES

Motion to Approve the Special Meeting Minutes and Voting Record of April 9, 2015

Motion: (D. Dutches)

To approve meeting minutes and voting record

Second: (T. Quinlan)

Discussion: None

Motion passed 4-0

Motion to Approve the Meeting Minutes and Voting Record of May 20, 2015

Motion: (C. Ferraro)

To approve meeting minutes and voting record

Second: (T. Quinlan)

Discussion: None

Motion passed 4-0

FIRST SELECTMAN'S COMMUNICATIONS-There were none at tonight's meeting.

PUBLIC PARTICIPATION-*Steve Kirsch* said there was discussion during the budget workshops regarding Aquarion's costs for fire hydrant cleaning/maintenance and he wanted to know if any options to lower costs had been pursued. *Mike Klemish* from

Stepney Fire Department asked if the Town would be taking the utility bills over as of July 1st; *Ms. Meade* and *Mr. Krize* have been working on the logistics.

EXECUTIVE SESSION-There was no Executive Session at tonight's meeting.

NEW BUSINESS

Expense Reductions Analysis presentation-*David Finkel* from Expense Reduction Analysts gave a brief presentation to the Board on finding incremental savings. Expense Reduction Analysts, a global cost reduction consultancy, helps clients by reducing "non-core" or indirect costs; "essentially all cost categories except for employee compensation and raw materials." *Mr. Finkel* continued that ERA offers the following:

- Broad Category Expertise-ERA has experts across 31 categories including office/janitorial supplies, payroll services, overnight parcel service, insurance and telecommunications.
- Competitive Benchmark Pricing Database-ERA has negotiated pricing on over 15,000 projects.
- Vendor Contacts
- End to End Analytical Process from data collection through supplier implementation and monitoring.
- Minimal Investment of Client Time-
- Speed to Deliver Savings-Implementation of improved pricing within 90-120 days of receipt of data
- No-Risk Compensation Structure-There is no fee if there are no realized savings.

Mr. Finkel added that if there are large expenditures, ERA can work on a tiered pricing structure. *Board Member Quinlan* asked how many other towns ERA work with in the state; *Mr. Finkel* replied that they work with Weston and Redding.

He continued that ERA delivers savings incremental to those achieved by internal efforts "by leveraging our expense category expertise, benchmark pricing data and proprietary process."

An outside review of costs offers these benefits to clients:

- A transparent process led by a neutral, credible cost consultancy
- Often retaining the current supplier at best market rates
- Savings are repeatable for each subsequent budget year rather than a one-time event
- No reductions of staff, services or quality of items purchased
- There is no out of pocket cost for the expense review

The Expense Reduction Process includes analysis, options, implement and review **Analysis**-the duration is 3-4 weeks per category and ERA obtains information on the client's desired categories, confirms business requirements with stakeholders, current benchmark and incumbent supplier contracts. At the conclusion of the analysis, ERA will deliver a Baseline Report.

Options-The duration is also 3-4 weeks per category and at this point in the process, ERA will confirm planned supply requirements, prepare RFP's, meet with current and potential suppliers, consultant with clients, initiate and manage the tender process as well as run supplier selection meetings. A recommendation report is delivered at the end of this timeframe.

Implementation-This phase has a timeframe of 3-4 weeks per category and at this time, suppliers are appointed, the implementation plan is reviewed, the projected savings are confirmed and the supplier relationships are monitored. A New Supplier Agreement is completed at this time.

Review-The duration of the Review period is 24 months and ERA makes monthly arrangements, calculates verifiable savings, checks prices and manages any price increased. The client will receive monthly reports and invoices.

There are three steps to launching an ERA Engagement

- **Client Engagement Letter**, which defines the terms of the agreement, identifies the categories under review and clarifies ERA's deliverables.
- **Letter of Authorization** on client letterhead and sent to bidding suppliers by ERA. The letter authorizes ERA to negotiate on their client's behalf for the category identified.
- **Quality Survey** which is a 15 minute questionnaire administered to the category stakeholder and captures current procurement process and supplier requirements.

Chairman Manjos asked *Mr. Bunovsky* if he and *Ms. Meade* have approached the Board of Education; they have not as yet. He continued that it is an interesting concept but the Board of Education would need to be in agreement. *Chairman Manjos* asked how the savings are calculated; *Mr. Finkel* said they are based on actual measured savings. *Mr. Kirsch* asked if ERA has experience with consortiums and if they have found additional savings; *Mr. Finkel* said that Weston, a member of CREC, purchased their supplies from a provider ERA works closely with and they were able to get lower prices; "we consistently beat GPO pricing."

Audit Entrance Conference with O'Connor Davies/Engagement Letter-*Chairman Manjos* said that Town Council and the Town Attorney reviewed and approved the Engagement Letter; *Chairman Manjos* will sign the letter tonight. *Marcia Marien* gave the Board an overview of the Audit process. She said that this week they are working on the planning for the audit and have met with individuals in Town Hall and getting information to be put on their portal.

The planning includes:

- Audit Administration
- Coordination of Timing with Management
- Gathering Documentation
- Reviewing Records
- Establishing Preliminary Expectations

Ms. Marien continued that they are working on Entity Controls and reviewing how the Town has addressed the overall controls. Their work on Entity Controls will include:

- Establishing an appropriate control environment
- Determining significant cycles and assess risk
- Instituting significant cycles and assess risk
- Instituting specific controls in relation to risks
- Providing communication and documentation of each
- Monitoring the programs

Ms. Marien added that they will review how the Town has addressed specific control needs:

- Segregation of Duties
- Authorization
- Properly Designed Records
- Security of Assets and Records
- Periodic Reconciliations
- Periodic Verifications
- Periodic Analytical Review
- Timely Financial Reporting

Ms. Marien continued the discussion on Risk Assessment and stated the auditors ask the following questions:

- Where are the inherent risks?
- Where are the control risks?
- Where are the fraud risks?
- What did we learn from planning?
- How should we change our approach?

The Fieldwork and Testing includes:

- Working with Year-end figures
- Control testing of the Processes
- Substantive testing of the Amounts
- Putting together the Financial Statements
- Documenting the findings

Ms. Marien said that the plan is to have the Town and Board of Education records ready for review in September with O'Connor Davies meeting with the Board in October. In October, the auditors will review significant matters found, have an internal review of files and statements, meet with management and the Board and present a detailed PowerPoint presentation. *Ms. Marien* anticipates the report will be ready for presentation in November. The Reports will include:

- Opinion on the Financial Statements
- Governmental Audit Standards:
 - Report on Internal Control (no opinion)
 - Report on compliance (no opinion)
- Federal Single Audit and State Single Audit:

- Report on Internal Control (no opinion)
- Opine on compliance over major programs
- Management Letter
- Weaknesses, Efficiencies and Best Practices
- Standard Communications with Audit Committee
- Special Communications with Audit Committee if needed
- CT Municipal Audit Questionnaire

Ms. Marien continued that she welcomed any questions and/or concerns and reiterated the importance of open communications. One of the concerns that was brought up during the RFP Process was cash controls. *Chairman Manjos* said that they want to ensure that there are adequate controls at a decentralized level. *Board Member Quinlan* asked about cyber security; *Ms. Marien* said that it is too early to tell if what the Town has is adequate but their Technology Specialist will be coming in shortly.

Monroe Fire Department discussion of Capital Improvements to department owned building-*Mr. Krize* introduced *Ryan Anderson*, his new Vice-President. He said that there needs to be a discussion on funding for Capital Projects. *Chairman Manjos* said that there needs to be an understanding of the departments' funds, what the intent of the funds is and who is responsible for the buildings as there is nothing in writing. The discussion began because it was noted that the departments did not have funding for the capital project but it was determined that they have savings and that another department had done their roof with their own funding within the past 2 years. *Chairman Manjos* stated that there should be a standardized procedure. *Mr. Krize* said that the departments maintain private savings generated by fund raising to offset the revenue shortfall from the Town. It was stated that the shortfall has been decreasing over the past few years and that progress is being made. *Mr. Krize* said that the savings are used for major maintenance items as well as litigation reserves. He added that his department brings in net \$45,000-\$50,000 and that the majority goes to supplement what they do not get from the Town. *Mr. Krize* continued that another reason they maintain savings is because they look at future equipment replacement. He added that he applied for a one-time grant for equipment years ago and they need to think about replacements, In addition, *Mr. Krize* said, "we are 18 months behind the apparatus replacement cycle and there is nothing in the bonding schedule for this year to do it nor is there a proposed action." *Mr. Krize* continued that he is happy to pay for the capital projects but he wants a discussion on how they can move forward and asked if the Town is going to adequately fund the fire departments?

All three companies have their own savings though they are at different levels. It was also stated that there is an OSHA mandate regarding fire gear coming in the next few years and the cost will be approximately \$240,000. He stressed that the Town needs to "rightsize" operations; *Chairman Manjos* said that it is critical that there be a policy that both the Town and the departments understand and the responsibilities of each are clarified. There was a brief discussion regarding repairs to driveways; *Chairman Manjos* said that they will look into the driveways and provide an update at the next meeting. There are positive and negatives to having the departments; if it means transferring the

Stepney Fire Department Air Compressor purchase-The approximate cost of the air compressor is \$50,000; the replacement was on the internal leasing plan to do it over 5 years. There were three estimates all of which fell within the same price range. *Mr. Bunovsky* added that the purchasing policy for items \$10,000 or more requires a sealed bid so they will have to do a bid waiver.

Motion to Approve Stepney Fire Department Air Compressor purchase

Motion: (T. Quinlan)

To approve purchase

Second: (C. Ferraro)

Discussion: None

Motion passed 4-0

Chairman Manjos said the Health Department is setting up internally and there will be set-up costs in addition to the budgetary costs; there is \$200,000 in a reserve for Sandy Hook and a portion of the funds will be used for the Health Department. The transfer was approved by Town Council at their meeting on Monday evening.

RESOLUTION REGARDING THE AUTHORIZATION TO ESTABLISH A HEALTH DEPARTMENT RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES RELATED TO THE FORMATION OF THE NEW HEALTH DEPARTMENT AND A TRANSFER OF \$50,000 FROM THE POLICE SANDY HOOK RESERVE ACCOUNT TO THIS NEWLY ESTABLISHED FUND

RESOLVED:

- (i) that a Health Department Reserve Fund be established to account for capital and nonrecurring expenditures related to the formation of a Town of Monroe Health Department; and
- (ii) that \$50,000 be transferred from the Police Sandy Hook Reserve Account to this newly established Health Department Reserve Fund.

Motion: (D. Dutches)

To approve auditor

Second: (C. Ferraro)

Discussion: None

Motion passed 4-0

Transfer of \$22,055 from Sandy Hook reserve to General Fund for rental of generator-This transfer was tabled.

WMNR Budget-*Chairman Manjos* said that WMNR's budget was going to Town Council for their approval but he felt it was prudent for the Board to take a look at it.

Motion to Approve WMNR Budget

Motion: (C. Ferraro)

To approve auditor

Second: (T. Quinlan)

Discussion: None

Motion passed 4-0

REVIEW OF FINANCIAL REPORTS

Expense & Revenue Summaries-Board Member Quinlan noted that they are over budget on legal with the encumbrances though the dollar amount is less than in past years.

Departments-Board Member Dutches asked if they could get some information on the Wheeler Fund for the Library; it was noted that the library provided a proposal at the joint meeting held this Spring. It was noted that there has not been a Board of Education representative at the meetings in quite awhile.

EMS Financial Statements-There was no discussion at tonight's meeting.

Tax Collector-Mr. Cambra complemented the Board on their choice of auditor; he said that *Ms. Marien* is very concerned with internal controls and there will be some suggestions forthcoming. He continued that the tax database has some technical issues which need to be addressed. He said that he is in "decent shape for closing out the year."

Mr. Cambra commended the Board of Finance for setting the Mill Rate and he reminded the Board about the cap on Motor Vehicle Tax next year and

Treasurer's Communications-There was no update at tonight's meeting.

Fire Departments' Quarterly Statement-There was no discussion at tonight's meeting.

BOARD OF EDUCATION CORRESPONDENCE

There was none at tonight's meeting.

ADJOURNMENT

Motion to Adjourn at 10:00 p.m.

Motion: (C. Ferraro)

Motion to adjourn

Second: (T. Quinlan)

Discussion: None

Motion passed 4-

Respectfully submitted,

Diane Behringer
Board of Finance Clerk