

**CITY OF NORWALK
FINANCE/CLAIMS COMMITTEE
REGULAR MEETING
FEBRUARY 14, 2013**

ATTENDANCE: Carvin Hilliard, Chair; Douglas Hempstead, Matthew Miklave, John Igneri, Warren Peña, David McCarthy (7:41 p.m.)

STAFF: Thomas Hamilton, Finance Director; Fred Gilden, Comptroller; Lisa Biagiarelli, Tax Collector

OTHERS: Council Member Bruce Kimmel; Tony Daddona, NPS Interim Director; Elio Longo, NPS COO; Karen DeVecchio, IT Director; Council Member Sarah Mann, Council Member David Watts; Jeff Ziplow, Blum Shapiro; Dominic Barone, Blum Shapiro; Ms. Pat Williams, Oak Hills Authority;

CALL TO ORDER

Mr. Hilliard called the meeting at 7:39 p.m. A quorum was present.

Approve the Minutes of the following Finance Committee Meeting: January 10, 2013.

**** MR. PEÑA MOVED TO APPROVE THE MINUTES OF THE JANUARY 10, 2013 FINANCE COMMITTEE MEETING.**

**** THE MOTION TO APPROVE THE MINUTES OF THE JANUARY 10, 2013 FINANCE COMMITTEE MEETING AS SUBMITTED PASSED UNANIMOUSLY.**

Claims Committee: receive the monthly Claims report; review and approve claims as required for Claims Report dated February 14, 2013.

Ms. Biagiarelli explained that there were no claims that needed approval at this time. The January Tax Collectors report indicated that the taxes were on target. February 1st was the end of the collection cycle. The February report will give a more accurate report.

Delinquent enforcement continues including payroll garnishment. The last date for the delinquent tax sale was January 17th and out of the approximately 300 original properties, there were only eight properties that were not redeemed. These properties have been deeded over to the successful bidders. The Tax Sale resulted in a collection of 4.9 million dollars. The next tax sale is scheduled for July 2014. These events are very labor intensive and are a responsibility of the full time Delinquent Tax Collector.

Mr. Kimmel asked about the Governor's recent proposed reduction on vehicle taxes and how it would impact Norwalk's budget.

Mr. McCarthy joined the meeting at 7:41 p.m.

Ms. Biagiarelli said that the Governor's proposal to reduce vehicle taxes had not been well received. Mr. Hamilton said that it would affect Norwalk's budget by about 17 million dollars. That shortfall would have to be absorbed by the mill rate. He then went on to give an overview of the details. Mr. Hamilton said that if the proposal does pass the legislature, he would be doing an analysis on how this would affect the taxpayers.

**** MR. HEMPSTEAD MOVED TO RECEIVE THE MONTHLY CLAIMS REPORT, THE TAX COLLECTION NARRATIVES AND THE MONTHLY TAX COLLECTOR'S REPORT AS PRESENTED.**

**** THE MOTION PASSED UNANIMOUSLY.**

Authorize the purchasing Agent to issue Purchase Orders to: En Point Technologies for server and client SQL database software in the amount of \$27,207.00 and; to Insight Public Sector for Windows Server Data Center client and server software in the amount of \$21,965. Both awards account 09130600-5777-C0375 (budgeted IT capital items; no special appropriation required) per Bid #3250 responses.

**** MR. MCCARTHY MOVED THE ITEM.**

Ms. DeVecchio came forward and gave an overview of the proposal as outlined in the memo dated January 17, 2013. The last update for the operating system and database servers took place in 2006. The current updates are needed to support the latest versions of the City applications, such as Customer Service and the Assessor CAMA programs. It is also critical to migrate the data to the newer versions before the vendor retires the City's current software versions. Both the IT Department and the Purchasing Department recommended splitting the award between two vendors in order to receive the lowest price on their respective license types.

**** THE MOTION TO AUTHORIZE THE PURCHASING AGENT TO ISSUE PURCHASE ORDERS TO: EN POINT TECHNOLOGIES FOR SERVER AND CLIENT SQL DATABASE SOFTWARE IN THE AMOUNT OF \$27,207.00 AND; TO INSIGHT PUBLIC SECTOR FOR WINDOWS SERVER DATA CENTER CLIENT AND SERVER SOFTWARE IN THE AMOUNT OF \$21,965. BOTH AWARDS ACCOUNT 09130600-5777-C0375 (BUDGETED IT CAPITAL ITEMS; NO SPECIAL APPROPRIATION REQUIRED) PER BID #3250 RESPONSES BE FORWARDED TO THE COMMON COUNCIL FOR FURTHER ACTION PASSED UNANIMOUSLY.**

Authorize the Mayor, Richard Moccia, to execute a contract with North American Theatrix, Ltd. for the supply and installation of the Council Chambers Audio/Visual Improvement Project, Phase 1 infrastructure and audio systems for an amount not to exceed \$30,240.00 account 09130600-5777-C0375 (budget IT capital, no special appropriation required).

City of Norwalk
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**** MR. HEMPSTEAD MOVED THE ITEM.**

Ms. DelVecchio gave an overview of the three phase project to upgrade the Council Chambers audio visual equipment. This project will improve the audio system performance through equipment upgrades and a system redesign. Phase 2 will incorporate a new video presentation system and the third portion will increase the ease of user control capabilities.

Ms. DelVecchio then reviewed the details regarding the upgrading the Council Chambers as outline in the back up material. She said that she was looking for approval to move forward with Phase 1 on this project.

Mr. Kimmel said that there had been an original discussion about the project which included much more sophisticated technology such as vote counting and other items. Ms. DelVecchio replied that the electronic voting component was not currently included in the scope of the project. She explained that there had been a proposal to have an LCD screen or a better projection system that could handle large maps. Phase 3 would concern improvements to the digital recording system.

Mr. Miklave asked for an overview of Phase 1. Ms. DelVecchio said that the electrical system will be addressed, such as amplifiers, and an upgrade to the public podium microphone.

Mr. Miklave asked what the difficulties were with the prevailing wage in the contract. Ms. DelVecchio reviewed the details of the issue that had been discussed with the State and how it was resolved. The resolution of the issue was the re-issuance of the bid to include the prevailing wage rates and the enhanced services.

Mr. Peña asked about the possibility of securing DPUC grant funding and what would happen if the City were not awarded the grant funding. Ms. DelVecchio said that she had included this project in the Capital Budget, and if that was not funded, her department would continue to apply for grants in the future.

Mr. Hempstead said that he felt that this was important because there were numerous groups such as Planning and Zoning or BET that would also be using this equipment. Mr. Hamilton reminded everyone that the Capital Budget is now in the hands of the Planning Committee. The Council could make sure that it is included in the budget when it comes to the Council.

Mr. Watts commented that the current technology was ancient and gave examples of the various problems encountered during the last Council meeting.

**** THE MOTION TO AUTHORIZE THE MAYOR, RICHARD MOCCIA, TO EXECUTE A CONTRACT WITH NORTH AMERICAN THEATRIX, LTD. FOR THE SUPPLY AND INSTALLATION OF THE COUNCIL CHAMBERS AUDIO/VISUAL IMPROVEMENT PROJECT, PHASE 1 INFRASTRUCTURE AND AUDIO SYSTEMS**

FOR AN AMOUNT NOT TO EXCEED \$30,240.00 ACCOUNT 09130600-5777-C0375 (BUDGET IT CAPITAL, NO SPECIAL APPROPRIATION REQUIRED) BE FORWARDED TO THE COMMON COUNCIL FOR FURTHER ACTION PASSED UNANIMOUSLY.

Presentation and review the status of the ongoing focused operational review of selected areas of the Norwalk Public Schools with Blum, Shapiro & Company, PC, which is conducting the review.

Mr. Jeff Ziplow & Mr. Dominic Barone of Blum Shapiro & Company then gave a PowerPoint Presentation. A hard copy of the presentation was included in the back up information. Mr. Ziplow said that very little had changed between the first presentation and the current one. The School District and the Financial Team worked together to identify the issues and clarify items. The information was extracted from MUNIS and covers a number of years.

Mr. Barone explained that the focus of the project was the following:

- Validation of the amount of the budget shortfalls in the health insurance and special education accounts for FY 2011-12.
- Determining the immediate and underlying causes of the Board of Education's FY 2011-12 budget shortfalls in the health insurance and special education Accounts.
- Evaluation of the processes and procedures which allowed these shortfalls to occur.
- Reviewing the transactions in the MUNIS Financial Management system.
- Recommending actions to correct the deficiencies and addressing other findings.

Mr. Ziplow and Mr. Barone both commended the staff for their cooperation. The BOE and City staff that participated in this review were all well prepared. All the requested data and information was provided in a timely manner. Mr. Ziplow noted that both the City staff and the BOE staff had worked well together to address the issues and many of the corrective actions were implemented and in place prior to the beginning of the Focused Operational Review.

Mr. Kimmel asked why there was no a formal budget for the School Lunch Fund, the Insurance Fund and the OPEB Trust Fund. Mr. Barone explained that there was not a formally created budget that was voted upon. This is quite common among the various school districts.

Mr. Miklave asked if there was any effort to interview former employees. Mr. Ziplow said that they did not interview any former employees.

Mr. Hempstead asked whether it would be good to have a more formalized budget. Mr. Barone then reviewed how the Insurance Budget was developed, as outlined on page 6 of the handout. Mr. Barone explained how funds move through the system as outlined on page 7.

Mr. Kimmel asked about the fluidity of the money moving between the funds. Mr. Ziplow explained that there was a difference between a projected cost and the actual costs. He then gave several examples.

Mr. Miklave asked if the revenue from Retired Employee Co-Pays and the Teacher Retirement Board (TRB) go into the OPEB funding directly. Mr. Barone confirmed this. He had several questions about the details of this type of transaction, which Mr. Barone explained.

Mr. Ziplow explained that if the projected numbers on page 9 had been used to create the budget, the estimated costs would have covered the costs. Mr. Barone then went on to give an overview of the GASB Offset, which had been key factor in the shortfall.

Mr. Kimmel asked if it was possible that the District had been operating on the misunderstanding that the City would be paying the NPS GASB offset. Mr. Ziplow said that this could be possible, but he couldn't say what was assumed, only what happened.

Mr. Miklave asked for clarification on what the GASB Offset was. Mr. Barone said that GASB refers to the "Government Accounting Standards", however he said that he had honestly had never come across a line item called "GASB Offset" before. Mr. Miklave had several detailed questions about what a "GASB Offset" was and why no one in the City noticed this. Discussion followed about some major changes in the GASB process and how the accounting was done.

Mr. Miklave asked if there was documentation that a BOE employee knew that there were current transfers from the GASB Fund into the Insurance Fund. Mr. Ziplow said that he would attempt to locate those BOE authorizations.

Mr. Longo commented that he believed that all the accounting that had been done was done properly, but there was a misunderstanding as to who was responsible for the increased costs. Mr. Ziplow said that because there were numerous revenue accounts flowing into a general account and tracking the funding became confused. He said that the City and the BOE were now implementing recommendations to track the funds more accurately. Mr. Peña asked who was responsible. Mr. Ziplow said that he did not know who was responsible.

Mr. Kimmel pointed out that the BOE had requested a Finance Director for a number of years. It was only this past year that the District hired a Finance Director to work with the Chief Operational Officer. Mr. Ziplow said that the focus was improving the tracking of the funds. Mr. Igeneri asked whether there was an annual audit. Mr. Barone said that while the City has an annual audit, it would not normally catch a situation like this. Mr. Ziplow said there were now controls in place to prevent this type of situation from happening again.

Mr. Hempstead said that Blum Shapiro had recommended controls. He asked if there was any evidence that the money was missing. Mr. Ziplow said that there was no evidence that any of the funds were missing. Mr. Hempstead asked whether or not there was any evidence that the funds had been mis-directed. Mr. Ziplow said that there was no evidence that the money had been

funded to another account inappropriately. Mr. Hempstead asked again whether the funds had been gone into someone's pocket. Mr. Ziplow and Mr. Barone said that all the money was accounted for and did not go into someone's pocket.

The discussion then moved to the recommendations starting on page 14 through 16 of the handout. These included:

- NPS fully funding the Health Insurance for all their employees.
- NPS building a reserve in the insurance fund to offset variations in claim activity.
- Creating a new General Ledger account for the NPS Insurance Fund.
- Elimination of combined activities in several of the funds.
- Perform periodic Review of the Insurance Funds.

Mr. Ziplow pointed out that there was a separate section on Special Education that could be done at another time.

Mr. Hempstead asked Mr. Longo if the recommendations that were being presented would be approved by the BOE. Mr. Longo said that they were already in place on the BOE side. Mr. Hempstead asked Mr. Hamilton if he was comfortable with these recommendations. Mr. Hamilton said that he was. Mr. Ziplow said that he was impressed with both the City and the BOE because they were more concerned with correcting the problem rather than pointing the finger. Mr. Miklave thanked Mr. Ziplow and Mr. Barone for their time in walking the Committee through this presentation.

Mr. Peña said that he would also thank Mr. Ziplow and Mr. Barone for their presentation, but had a concern that the independent audit did not identify this before. Mr. Hamilton said that it was cited in the June 2012 audit, but had not appeared in the June 2011 because the account had a relatively small deficit.

RECESS

Mr. Hilliard announced a recess at 9:25 p.m. He reconvened the meeting at 9:35 p.m.

Authorize the Mayor, Richard A. Moccia, to execute any and all documents necessary for a Loan Agreement in an amount not to exceed \$150,000 with Oak Hills Park Authority in order address sort term operating needs of the Authority (Account 016110-54BB) (This is in a Finance Committee Package under Board of Estimate Special Appropriation).

Receive Board of Estimate and Taxation Appropriation dated February 11, 2013.

**** MR. HEMPSTEAD MOVED THE ITEM.**

Mr. Barron came forward and reviewed the financials as outlined in information packet from the Board of Estimate and Taxation documentation. The Authority did make a loan payment on time and in full in September of 2012. The second debt restructuring was done, but the Authority

found that they were short on cash due to Super Storm Sandy and some major infrastructure repairs.

Ms. Williams came forward and pointed out that the Authority is right on the projections for expenses, but the revenue was impacted by a number of factors. The course was not fully operational until mid June. The Authority is trying to get back on track and the resident cards are now available for sale. In the past, the cash reserve covered the shortfalls.

Mr. Miklave asked whether the Authority knew that they would have a shortfall if they made the loan payment. Ms. Williams said that the Authority believed that they had the resources to make it through the winter. Mr. Miklave said that the former pro said that the Authority would not have enough to make it through the winter. Mr. Virgulak reminded everyone that there were several infrastructure problems such as a collapsed sewer line. Ms. Williams said that these infrastructure problems date back years due to lack of maintenance. She said the Authority had repaired over \$50,000 in repairs. Mr. Miklave said that he had concerns that \$150,000 would not be enough.

Mr. Peña asked what the Authority owed the City today. Ms. Williams gave the figure. Mr. Peña asked how many times the Authority had come to the City for funds. Ms. Williams said that she believed it was the second time. Mr. Hamilton said that there had been Capital fund requests in the past. This is only the second time they had asked for operating funds.

Mr. Peña asked about the driving range and how much revenue it would generate. Ms. Williams said that she thought it would be too early in the process to know. Mr. Peña asked about the infrastructure repairs. It was pointed out that the infrastructure systems had to be totally replaced rather than repaired.

Mr. Peña asked if anyone had considered privatizing the course. Ms. Williams said that it had not been discussed. Mr. Peña said that he was not optimistic about the Authority being able to work its way out of the problem.

Mr. Kimmel reminded everyone that the Authority was part of the City. He asked about the use of operating funds to repair infrastructure. Ms. Williams said that the Authority had been obligated to make those repairs.

Mr. Kimmel said that he had done some research on this and there are about 600 courses have closed across the nation. He said that there are serious issues nationally. However, while he believes that the funds can be found elsewhere, because this is a seasonal sport, he feel that they do need the City's assistance. He added that he had concerns about the infrastructure. He said that he would support this with reservations.

Mr. Hempstead asked for an update on the actuals for the Profit and Loss. He had several detailed questions, which Ms. Williams answered. Mr. Hempstead pointed out that when the City ran the course, it did not break even. He said that the City kept moving the ball and adding

a loan payment on top of it. He asked for a three year budget. Discussion followed about the details.

Mr. Watts thanked the volunteers for coming out. He said that he didn't feel comfortable in voting for it and stated he thought that ten years repayment plan was too long . Mr. Watts said that the Authority needed to come up with a marketing plan and a budget for three years. He said that he would close the course if it were up to him. He said that the Authority needed to have a real plan to pay the money back. He said that before the City decides to invest another nickel, he wanted to see a realistic plan presented so that the Authority does not come back for more money in another few months. He wanted to know how the City could partner with Oak Hills to succeed.

Mr. Hamilton pointed out that the City had worked extensively with the Authority and had done two restructuring of the debt repayment. He said that he felt that the City had played out the restructuring of the debt. Mr. Hamilton said that the City was coming to the point where they had to make a decision as to what the priorities were and that decision should not be made in a crisis situation. He explained that the Authority had a separate bank account and the Authority was having a cash flow crisis. The bonds that were issued for the restaurant, the carts and the other items were general bonds. The bonds will have to be paid regardless of whether the course remained open or not. Mr. Hamilton reminded everyone that nationally the number of golf rounds were down. There are a host of things that the Authority is trying to do. He outlined several options. Mr. Hamilton said that he would support assisting Oak Hills at this time. He said that if the Authority could get through March and had a good spring, they could see a positive change.

Ms. Mann thanked the volunteers for their service. She strongly urged them to set some funds aside for contingencies.

Mr. Igneri said that it would be important to consider ways to increase the number of rounds. Another Board member said that she was working on a presentation for next week. She said last year, golfers could come to the course, but they couldn't eat there. The carts were not reliable. Now the restaurant is open and the carts are ready to go. The Authority can now put together a full package for the golfers. It's important to function with what is already available. Mr. Mount pointed out that the website has been updated and now three new outings have been booked.

Mr. Peña said that he did not feel good about the entire situation. He said that it was a bad investment since it had failed before and did not look like it would make it now. He asked why this wasn't being run like a business. He said that he was willing to work with the Authority. It was pointed out that last year, the Authority were still in a tunnel, but that this year, the Authority can see the light at the end of the tunnel. Mr. Virgulak said that the course was in the best condition that it has been in years.

Mr. McCarthy pointed out the fact that since the Authority was established, the taxpayers were not putting money into the course since it operates outside of the City budget. However, if the

course closed, the City would be responsible for paying off the bonds. He summarized his remarks by saying that he felt that this was more of a bridge loan than subsidizing the course.

Mr. Miklave said that he supported the Authority and was on the Council when the Authority was created. He said that this was done so that the residents would not be subsidizing the course. The idea of the restaurant was part of a plan where the course would be aggressively marketed for events. He said that the goal was to get the golfing outings. He said that his other concern was that there was never a concentrated effort to follow the plan.

Mr. Miklave said that he did not want to have a crisis at the course. It will be important to have a good marketing plan for Norwalk businesses and corporation. He pointed out that "Not for profit" is a tax status, not a business model. He said that he wanted to preserve the course in a manner that would be profitable for the course and for the residents.

Mr. Hempstead asked that a three year budget presentation be scheduled for the March Finance meeting. He reminded everyone that Oak Hills was a public course. As a private business, the course would have a membership fee, a mortgage and a line of credit. However, it is not privately owned business.

**** THE MOTION TO AUTHORIZE THE MAYOR, RICHARD A. MOCCIA, TO EXECUTE ANY AND ALL DOCUMENTS NECESSARY FOR A LOAN AGREEMENT IN AN AMOUNT NOT TO EXCEED \$150,000 WITH OAK HILLS PARK AUTHORITY IN ORDER ADDRESS SORT TERM OPERATING NEEDS OF THE AUTHORITY (ACCOUNT 016110-54BB) PASSED UNANIMOUSLY.**

Fiscal year 2013-2014 Operating Budget and Cap Review and Discussion.

A discussion followed about scheduling a meeting on February 19th at 8:00 p.m. to review the 2013-2014 Operating Budget and Cap. There was a consensus that the meeting would be scheduled on February 19th.

ADJOURNMENT

**** MR. PEÑA MOVED TO ADJOURN.
** THE MOTION PASSED UNANIMOUSLY.**

The meeting adjourned at 11:00 p.m.

Respectfully submitted,

Sharon L. Soltes
Telesco Secretarial Services

City of Norwalk
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