

**ENFIELD TOWN COUNCIL
MINUTES OF A SPECIAL MEETING
TUESDAY, FEBRUARY 16, 2016**

A Special Meeting of the Enfield Town Council was called to order by Chairman Kaupin in the Enfield Room of the Enfield Town Hall, 820 Enfield Street, Enfield, Connecticut on Tuesday, February 16, 2016. The meeting was called to order at 5:30 p.m.

ROLL-CALL –Present were Councilors Arnone, Bosco, Cekala, Deni, Edgar, Kaupin, Lee, Sarno, Stokes and Szewczak. Councilor Hall entered at 6:25 p.m. Also present were Acting Town Manager, Lee Erdmann; Town Clerk, Suzanne Olechnicki; Town Attorney, Christopher Bromson; Acting Director of Finance, John Wilcox; Acting Assistant Town Manager for Development Services, Peter Bryanton

BLUM SHAPIRO

Present were Audit Partner, Vanessa Rossitto and Audit Manager, Megan Heaphy.

Ms. Rossitto stated this year there was a new accounting standard implemented, which is called GASB-68. She noted during the audit, they did not encounter any difficulties or disagreements with management. She stated in the management letter they had some suggestions for improvements, and there is a significant deficiency in single audits regarding a couple of items at the Board of Education.

She stated at the end of the audit, they required town and board of education management to sign a representation letter, which basically says everything asked of them was responded to truthfully.

Ms. Rossitto then reviewed the audit page by page as follows:

Page 1 – Blum Shapiro’s audit opinion (3 pages long). There is a differentiation between who is responsible for what. Management is basically responsible for the financial statements, the selection of accounting policies and creating and maintaining internal controls to prevent any tax fraud. Blum Shapiro is responsible to opine on the financial statements.

Blum Shapiro has issued an unmodified or clean opinion on the financial statements.

Page 4 – Contains a narrative of what has transpired in the Town of Enfield during Fiscal Year 2015

Page 13 and 14 – The financial statements start on Page 13.

Page 15 – Contains the balance sheets

Page 17 – Contains revenues and expenditures

Ms. Rossitto stated the Town had a total fund balance of all the governmental funds of \$21.9 million dollars. She noted that is an increase of a little over \$6 million dollars from the prior year. She explained contained in these funds are the major funds of the Town, i.e., the General Funds, the Water Pollution Control Fund, bonded projects and capital non-recurring. She noted the General Fund ended the year with a total fund balance of \$25.8 million dollars, and of that amount \$4.5 million dollars is non-spendable, which means it's on the balance sheet as a pre-paid item or an advance to other funds. She stated \$2.1 million dollars is committed for various projects and \$2.2 million dollars is assigned to the 2016 budget; \$32,000 is for encumbrances and \$139,000 is for education. She explained the \$139,000 for education is the amount that the education line was under budget for 2015.

She stated the next group of funds are the internal service funds, and they're aggregated together on Page 19. She referred to Page 80 and 81 and noted there are three internal funds, which are the health insurance fund, information technology fund and the commercial liability fund. She stated for the most part the funds were flat, except for the health insurance fund and the net position decreased from \$5.1 million to \$1.7 million dollars.

Ms. Rossitto stated the last group of funds are the fiduciary funds, which are located on Pages 83 and 84. She explained there's a pension trust fund and an OPEB trust fund. She noted the pension trust fund is pension benefits for employees and OPEB is the retirees' health benefit. She stated the pension fund increased from \$111 million dollars to \$115 million dollars. She noted in that fund were contributions from employer and employees of \$4.8 million dollars with an investment income of \$5 million dollars. She noted the OPEB fund increased slightly from \$4.011 million to \$4.293 million dollars.

Councilor Lee questioned what is contained in the OPEB trust fund and what is the use of that fund compared to the pension. Mr. Wilcox explained that is for retiree benefits.

Ms. Rossitto stated Page 58 contains the budgetary statement for the General Fund. She noted the final revenue budget was \$121,225,000 and the actual revenues were \$121,312,000, therefore, the Town is \$87,000 over budget on revenues. She referred to expenditures and noted the final budget was \$121,225,000 and expenditures came in at \$120.7 million, or \$479,000 under budget.

She then spoke about the pension disclosure on Pages 41 and 44. She explained a couple years ago GASB-67 and GASB-68 statements were issued, and this changes the way actuaries are measuring the liability. She referred to Page 44 and noted it can be seen that the total pension liability for employees is \$66.1 million dollars and police is \$57.9 million dollars. She explained that is compared to the assets in the pension plan, therefore, the employees and police pension plan have a net liability of a little more than \$4 million dollars.

Ms. Heaphy stated the Town is required to have an audit of its federal awards every year. She referred to Page 1, which contains Blum Shapiro's opinion over major programs for the Town for this year, and they issued an unmodified opinion over major programs, which is detailed on Page 2.

She referred to Page 4, which contains the schedule of the expenditures of federal awards, and this details all of the expenditures by program. She stated the total expenditures for this year, which is on Page 7, was almost \$5.4 million dollars.

Ms. Heaphy stated Page 9 contains their opinion about internal control over financial reporting. She noted Page 11 contains a summary of the auditors' results. She stated they issued an unmodified opinion, but there is a significant deficiency over internal control. She stated for the federal awards, they had no findings this year.

She referred to the significant deficiency which is mainly over the Board of Education Cafeteria Fund and School Miscellaneous Investments.

Councilor Lee questioned whether the Cafeteria Fund relates to benefits or actual food services, and Ms. Heaphy responded actual food services.

Ms. Heaphy stated the response from Pat West from the Board of Education can be found on Page 12.

She noted they issued a clean opinion over major programs at the state level. She noted the Town spent a total of \$65.5 million dollars of state assistance.

Chairman Kaupin questioned whether the Board of Education is making strides concerning the deficiencies. Mr. Wilcox stated his belief they are making strides. He noted there have been communications with Pat West. As concerns the investment income, the Board of Education received a sizable donation, and he has been in contact with Pat West about recording the activity correctly going forward.

Ms. Rossitto referred to the management letter and noted they did not find any issues per se, but rather to strengthen the controls of the Town. She noted the first item has to do with segregation of duties. She pointed out there is no problem, however, there should not be one person performing conflicting functions, i.e., the same employee can collect taxes, count the tax drawer, and prepare the deposit. She noted they are recommending the Town strengthen the controls of the tax collection office.

As concerns capital asset reporting, she noted the sewer system capital assets are maintained on an Excel spreadsheet, which is outside the Town's general ledger system. She noted Excel is subject to user error or formula errors, therefore, they're recommending that the Town put the assets on the Munis system or get another capital asset reporting system.

Ms. Rossitto stated every accounting office should have an accounting procedures manual to memorialize what the procedures are.

She stated they do not test for fraud, nor do they look at every transaction of the town. She noted just because the Town receives an unmodified opinion doesn't mean there isn't any fraud happening. She stated they recommend to all of their clients that they have a fraud risk assessment done, and that they also implement an anonymous fraud tip hotline. She pointed out there are vendors that do fraud assessments.

Mr. Wilcox referred to the finding concerning the tax office and noted they implemented a procedure where the supervisors will review the daily input sheets and compare those to the cash drawers and sign off on those sheets.

Ms. Rossitto stated it was a pleasure working with the town.

ECDC

Present for this discussion were ECDC Board members Katherine McKinnon, Rebecca Olesen, Peter Bryanton and Thomas Arnone.

Ms. McKinnon stated ECDC submitted a request for a \$200,000 loan for jump starting the 33 North River Street project. She noted ECDC was able to secure a grant to acquire this property and do an environmental assessment. She stated ECDC has stalled a bit. She noted 33 North River Street is an important project because it has the potential to kick start the train station, develop housing and attract investors to the Thompsonville district. She stated the Council has received a concept of what's proposed for this building, and it's estimated the cost will be \$4.5 million dollars to develop this building into housing, commercial space and a train station. She noted funding for this project would come from state and federal resources. She added since this is an historic building, it would qualify for historic tax credits.

She stated they are asking the Council to invest in ECDC so that ECDC can invest in Thompsonville. She noted the \$200,000 investment will help ECDC to leverage another \$4 million dollars. She noted they are asking for a loan, and they have property appraised at over \$200,000, therefore, they'd be able to offer that as collateral. She stated her belief a number of options have been presented in terms of how that loan could be structured. She noted if the Town Council were to approve this loan, they'd be able to agree to some milestones they'd need to achieve before any loan funds were disbursed.

Councilor Edgar raised the following items:

- Why are they taking this up prior to the completion of the police investigation?
- Why the rush?
- When he checked the ECDC minutes, four people were appointed to the Board and those four people were to recruit the members up to the required minimum of seven or a maximum of nine, and this was never done and this was to comply with the bylaws. He requested the Town Attorney to check into the legality of this.
- As concerns 33 North River Street, 54 Pearl Street and 1 Spring Street, it's evident the card value was taken from the Assessor, while the properties should

- be appraised by a commercial appraiser in order to get a more accurate value-he questioned the accurate value of those properties.
- Section 11 of the Charter concerning contributions states they can give only \$5,000, and to give more, they'd need two people on the Board that were appointed by the Council, and that is not the case.
 - As concerns contributions, if ECDC is under 5013C, it's a charitable organization, not a private organization, therefore, they fall under the "contributions" part of the Charter.
 - It's also questionable how the changes of officers have taken place.
 - The Town should have a forensic audit.
 - There's over \$70,000 owed to the IRS, and that isn't showed in the financial statements.
 - He feels there's a definite question as to what's shown as assets on the balance sheet. He noted all of the loans are shown as assets, while some of those loans are forgivable loans.
 - He recommended this be withdrawn or tabled until questions are answered.

Councilor Arnone stated the investigation came after the loan request was made. He noted whatever the investigation finds, it's still going to be irrelevant as to whether or not they move forward. He noted they are not disputing the past, but they're trying to strengthen the future. He noted they're trying to protect 33 North River Street from problems with the IRS. He stated the loan is essential to that building not being locked down or losing ownership of that building.

Councilor Edgar stated the investigation may effect this whereby liens could be placed against this building from creditors, and this could prevent receiving grants. He noted the balance sheet shows Cox is in collection.

Councilor Edgar stated ECDC paid salaries, but tax money wasn't sent to IRS. He noted taxes are owed on 33 North River Street and South Street. He questioned if ECDC will be paying back the town with its own money.

Councilor Arnone stated the alternative is that 33 North River Street will sit just as the Strand Theater has been sitting. Councilor Edgar responded Chapter 11 is an alternative and Councilor Arnone responded Chapter 11 will put them into reorganization, but Chapter 11 won't help them apply for grants, therefore, it's a no win situation for Enfield. Councilor Edgar stated it's a no win situation for the Town of Enfield to loan this money because there's no assurance it will be repaid, and the Town doesn't want to go into real estate.

Ms. McKinnon stated the money they need to apply for to actually renovate the building would come mostly from the State of Connecticut who has certain deadlines throughout the year for certain kinds of funding. She noted once they apply for that funding, they have to make sure to be ready for a certain deadline, and once they apply, it could take several months before they find out they're getting the money and another several months before starting construction. She pointed out if everything was a go today, it could be at least two years before construction begins.

Councilor Edgar stated the one thing he voted for was the \$350,000 brownfield grant for that building. He noted he was led to believe they were going to do the work right away, however, he hasn't seen anything being done. He acknowledged the train station could take until 2018.

Councilor Deni voiced concern about the building being uninsured, and Mr. Bryanton stated there has been insurance on the building since it was purchased.

Councilor Deni stated the Strand Theater, the burnt house on Church Street and the old bakery on Cottage Street are sitting neglected. He acknowledged they placed benches around the pond and a fountain in the pond, but nothing else has happened. He noted he was under the impression things were going to happen at 33 North River Street. He stated his impression there's still abatement needing to be done in the basement of that building. He pointed out there's no parking in that area. He stated legislators told him 33 North River Street has no impact on whether or not the train station is coming to Enfield because the State will build platforms wherever they wish. He agreed with Councilor Edgar in that they should wait until the police investigation is complete.

Councilor Cekala recognized the volunteer members of the ECDC and expressed her appreciation for their work.

She stated her understanding if the ECDC were to go into bankruptcy, they would not be able to get grants, and if they owe the IRS money, they wouldn't be able to apply for grants. Ms. McKinnon stated her experience is that when they apply for any kind of funding, the question on most applications has to do with money owed. She added if there's some kind of repayment plan, she believes they could secure funding.

Councilor Cekala questioned what will happen to this building if the ECDC does not get this money, and Councilor Arnone responded it will sit there, and that is not a good thing.

Ms. Olesen stated she is a new member on the ECDC board. She noted the ECDC has been looking for Board members for a long time. She noted, if nothing happens, the building will deteriorate. She noted a train platform will be built, but people will not want to go to a train platform next to a deteriorated building. She stated her belief this will be a loss for the town.

Councilor Cekala questioned if the Town were to grant a \$200,000 loan, and ECDC paid the IRS and was able to get grants, how long would it take to pay back the Town. Ms. McKinnon stated depending on their success and starting construction on the building, the worst case scenario would be two years. She noted she's looking at this as a pre-development type of loan, which would be paid back at the start of construction.

Councilor Lee stated one of the activities that may have caused the Corporation to take its eye off its primary function was the subordination of some of the local loan programs. He questioned if that's something that could be taken back from the Corporation and returned to the Community Development Office. Mr. Bryanton indicated that's a possibility.

Chairman Kaupin questioned the hard number that would resolve the ECDC's financial hardship, i.e., IRS or bills that are owed. Councilor Arnone stated they only have an accountant's estimate of the tax liability.

Ms. McKinnon stated if a loan was to be approved, it could be approved contingent on certain conditions.

Ms. Olesen added it could be done by a series of mortgages as opposed to a loan, whereby ECDC would be asking for a line of credit up to a certain amount, i.e., they need to pay the IRS and pay a certain bill. She noted everything would be paid with a separate secured loan so that it would be very transparent as to where the money is going.

Councilor Arnone stated from this point, they are trying to be as transparent as possible. He added he doesn't see where the investigation would have any impact on going forward.

Councilor Bosco questioned what is the bare minimum that will keep the wolves off their backs and will stop the IRS from locking the doors and compromising the train station. He noted he'd like to see a part in this loan where the Town can demand its money back within 30 days, or the Town takes the building. He feels this will provide safeguards for the Town.

Councilor Deni questioned the possibility of the ECDC getting a loan from a bank. Councilor Arnone responded they would not be able to secure a bank loan because of the ECDC's debt. Councilor Szewczak stated she spoke to some banking people about this, and it would be very difficult to secure a loan.

Councilor Edgar stated his belief \$200,000 will not pay the bills. He noted of that \$200,000, the Town should write the checks and pay the bills so they know they're paid. He questioned whether client money can be used to pay off loans.

Ms. McKinnon stated one of the potential sources of funding for this is the Housing Innovations Grant, and the round for that is in October. She noted with that funding, they would be able to secure a grant that would pay for the conception, but it would also pay off the loans.

Councilor Edgar referred to the current loans of ECDC and noted he does not see any collateral, and he does not see where they're registered with the Town Clerk. He went on to question who signed checks, and Ms. McKinnon responded Darren LaMore. Councilor Edgar stated his understanding the President and Treasurer should be signing checks. Councilor Arnone stated it's difficult to talk about employment issues in open session. Councilor Edgar stated he would like to know more about the signatory responsibilities and who was signing the checks. He pointed out he never said the investigation was a criminal investigation. He stated he also asked for several legal opinions, and he expects to get them from the Town Attorney. He went on to state he wants the Town to perform a forensic audit before even considering giving any loans out. Councilor Arnone stated the ECDC is cooperating fully with the investigation.

Councilor Lee stated the goal of the project is to end up with a productive downtown development adjacent to the railway. He questioned at what point does a development like this become a private, taxable property. Councilor Arnone stated once it is income producing, it will be fully taxable for the district as well as the Town of Enfield. He added the only non-taxable part of that building would be the train ticket area, and the rest of the building would be leasable, i.e., apartments and/or businesses.

MOTION #3500 by Councilor Stokes, seconded by Councilor Szewczak to go into Executive Session.

Upon a **SHOW-OF-HANDS** vote being taken, the Chair declared **MOTION #3500** adopted 11-0-0, and the meeting stood recessed at 6:55 p.m.

EXECUTIVE SESSION

The Executive Session of the Enfield Town Council was called to order by Chairman Kaupin at 6:56 p.m.

ROLL-CALL – Present were Councilors Arnone, Bosco, Cekala, Deni, Edgar, Hall, Kaupin, Lee, Sarno, Stokes and Szewczak. Also present were Acting Town Manager, Lee Erdmann; Town Clerk, Suzanne Olechnicki and Town Attorney, Christopher Bromson.

Personnel Matters, Pending or Threatened Litigation and Real Estate Negotiations were discussed with no action or votes being taken.

Chairman Kaupin adjourned the Executive Session at 7:10 p.m. He reconvened the Special Meeting at 7:11 p.m. and stated during Executive Session, Personnel Matters, Pending or Threatened Litigation and Real Estate Negotiations were discussed with no action or votes being taken.

ADJOURNMENT

MOTION #3501 by Councilor Lee, seconded by Councilor Hall to adjourn.

Upon a **SHOW-OF-HANDS** vote being taken, the Chair declared **MOTION #3501** adopted 11-0-0, and the meeting stood adjourned at 7:12 p.m.