

**Town of Windsor
Finance Committee Minutes
Town Hall – Ludlow Room
February 22, 2010**

APPROVED MINUTES

PRESENT: Committee Chair Deputy Mayor Al Simon, Councilor Donald Jepsen, Councilor Randy McKenney

STAFF: Peter Souza, Town Manager; Emily Moon, Assistant Town Manager; Bob Metcalf, Interim Finance Director; Jim Bourke, Assistant Finance Director

GUESTS: Randy Graff, Treasurer, Gina Defilio (Manager) & Scott Bassett (Partner), McGladrey & Pullen; Robert Howard, Jr., (Partner) Carlin, Charron & Rosen (CCR) LLP; Joe Centofani (Director of Fraud Services) and Mr. Ronald Nossek (Member), Kostin, Ruffkess & Company, LLC

1. CALL TO ORDER

The meeting was called to order at 7:30 p.m.

2. PUBLIC COMMENT

None

3. INTERVIEWS FOR ANNUAL AUDITOR SELECTION

The committee met with each of the finalists auditing firms: McGladrey & Pullen, CCR and Kostin, Ruffkess & Company. First, McGladrey & Pullen was interviewed and the following interview questions were asked of all interviewees:

1. Tell us about your firm, the staff that you will use on the engagement and their credentials and why we should select your firm to provide audit services.
2. Explain the role and responsibilities of independent auditor for the Town of Windsor.
3. Discuss the latest audit and accounting principles and pronouncements and their impact on the Town of Windsor.
4. In addition to auditing the town's financial records, how else will your firm add value to the audit process?
5. What types of activities would be considered outside the scope of the audit?
6. What do you think the biggest challenges are relative to a municipal audit?

McGladrey & Pullen

McGladrey & Pullen explained their firm's experience and approach to the municipal audit. The committee and the firm discussed some of the new pronouncements by GASB, especially Statement #54 concerning designating fund balances. The firm explained what items might be outside of the audit's scope and its contractual costs. Mr. Bassett gave examples of some items that have been addressed in the past. He also explained how having very timely and accurate cash and other financial reporting throughout the year is critical to being able to complete the audit in an efficient and timely manner.

Councilor Jepsen asked about the firm's practices on information technology controls.

Deputy Mayor Simon asked what Ms. Defilio does not like about working with the town. She explained the town is one of its best clients because the current staff is so competent and because so many improvements have been made. There are not currently any reasons she doesn't like working with the town.

Deputy Mayor Simon asked how frequently staff is changed. Mr. Bassett said that the firm rotates some staff every 2-3 years and the manager every seven years. Mr. Bassett also stated that his firm uses a national outside reviewer to review the draft audit before it is published. Mr. Bassett stated that the firm has typically spent nearly 600 hours on the audit and that he would be willing to negotiate the cost.

Deputy Mayor Simon asked what was budgeted for the audit. Town Manager Souza replied that \$53,700 is budgeted for FY 2010.

CCR – Carlin, Charron & Rosen, LLP

Mr. Rob Howard, Partner with CCR, was the next individual and firm interviewed. Mr. Howard explained how the firm would staff the audit and explained his firm's approach to employee retention. He explained GASB 51 concerning intangibles and 53, 54, 55 & 56. He stated that clients are invited to the firm's training sessions.

Councilor Jepsen asked about the firm's practices on information technology controls and its experience with the financial system MUNIS.

Mr. Howard explained that the firm focuses on identifying risk on areas such as IT controls and student activity funds. He said that he felt the greatest challenge in municipal auditing was a lack of resources (such as separation of duties or records management), which introduces risk. He stated that documenting the town's system during the first year of the audit would require approximately 80 hours. The town is a very attractive client because its past audits are clean and it is a good size.

Deputy Mayor Simon asked Mr. Howard to talk about his firm's experience in working with school districts. Acting Finance Director, Bob Metcalf, reviewed which towns he had contacted for references.

Kostin, Ruffkess & Co., LLC

The third firm interviewed was Kostin, Ruffkess & Co., LLC.

Mr. Joe Centofani and Mr. Ronald Nossek answered the committee's questions. The firm has clients region wide, including 25 municipalities. Mr. Centofani is a certified fraud examiner and the firm's approach is very focused on fraud detection and education. Both men have served as elected officials. Mr. Nossek was formerly the Mayor of New London. Mr. Nossek spoke about the new GASB statements and the importance of preparing for implementation. Mr. Nossek explained how the firm estimated the number of hours that would be spent on the audit and how that might differ from one year to the next.

Councilor Jepsen asked about the firm's practices on information technology controls and its experience with the financial system MUNIS.

Deputy Mayor Simon expressed his satisfaction with McGladrey & Pullen and his concern for how Carlin, Charron & Rosen might be underestimating the number of hours for the audit and that out-years might require adjustments.

Councilor Jepsen said that if cost wasn't considered, McGladrey & Pullen might be his choice because they've done a good job and it might be a lower total cost if town staff doesn't have to spend as much time on the audit.

Councilor McKenney said he was most interested in Kostin & Ruffkess and McGladrey & Pullen.

Deputy Mayor Simon said he would like us to speak with McGladrey & Pullen about their cost and proposed scope.

The Town Manager expressed a desire to talk to McGladrey & Pullen about where the town's audit falls on the firm's schedule.

Moved by Councilor Jepsen, seconded by Councilor McKenney, that the Finance Committee recommend to the Town Council the appointment of the firm of McGladrey & Pullen as the Town Auditors to carry out the annual financial audit of the Town of Windsor for fiscal years 2010, 2011 and 2012 as per the firm's proposal of February 17, 2010 and subject to negotiations with the Town Manager on final scope, schedule and price.

Motion Passed 3-0-0

4. DISCUSSION OF 2010 BOND ISSUE

The Town Manager explained that he would like to have some discussion on the bond issue that is pending (which includes Hayden Station Firehouse, a fire apparatus, Day

Hill Road reconstruction, & Poquonock School heat conversion/HVAC) and the potential to pay off the International Drive project in a slightly different way.

At this time staff is recommending that the town make the best possible use of its existing debt capacity and low interest rates by long-term borrowing for the next down payment on International Drive. Town staff suggests that of the remaining \$950,000, the Town Council allow the issuance of long-term bonds for \$500,000 to preserve the General Fund's balance and to capitalize on low interest rates. The remaining \$450,000 could be paid down in FY 2010 either via the General Fund balance.

Town staff had anticipated borrowing approximately \$5,000,000 in FY 2010 in order to meet the goals of maintaining infrastructure and keeping debt service fairly level. Some planned projects have required that the town borrow less than previously anticipated, low interest rates and enhanced capacity due to the past year's refinancing allow the town to borrow this \$500,000 for International Drive without negatively impacting the town's debt service costs.

The effective rates for borrowing are 3% or less. The current fund balance ratio is approximately 15.3%. This would drop 1% this year after using \$1 million in opening cash and paying off the planned increment for International Drive. It would then go down to 12.8% in FY 2011 if we continue with that same plan. By FY 2015, we would be down to 9%. This assumes we would wean ourselves off (down to \$300,000 per year after FY14) of our current use of opening cash. If we borrow the final increment for International Drive, we would not negatively affect the debt service level for FY 2011 and FY 2012.

Mr. Metcalf explained that FY 2012 is likely to be an even more difficult year when the economic stimulus for education is not available.

Councilor Jepsen stated that this bond issuance choice is interconnected with many other financial policy and planning issues.

The committee discussed how important the fund balance ratio might be to rating agencies.

Moved by Councilor McKenney, seconded by Councilor Jepsen, "That the Finance Committee approve an appropriation of \$450,000 in General Fund cash paydown and that \$500,000 in bond financing for International Drive be included in the upcoming bond issuance for FY10."

Motion Passed 3-0-0

The committee also expressed its support for including the bonding for International Drive when the bond package is discussed at upcoming Town Council meetings.

5. STAFF REPORTS

Town Manager Souza discussed holding a Finance Committee meeting to discuss the Length of Service Plan for the Fire Department during the week of March 8th.

The Town Manager stated that he might include a quick update on the FY 2011 budget on that meeting's agenda as well.

6. APPROVAL OF MINUTES

Moved by Councilor Jepsen, seconded by Councilor McKenney, to approve the January 12, 2010 meeting minutes.

Motion Passed 3-0-0

7. ADJOURNMENT

Moved by Councilor McKenney, seconded by Councilor Jepsen, to adjourn the meeting at 8:37 p.m.

Motion Passed 3-0-0

Respectfully submitted,

Emily Moon
Assistant Town Manager
Recording Secretary