

**CITY OF NORWALK
FINANCE/CLAIMS COMMITTEE
MARCH 14, 2013**

ATTENDANCE: Carvin Hilliard, Chair; John Igeneri; Nicholas Kydes;
Matthew Miklave; Douglas Hempstead (7:58 p.m.);

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

OTHERS: Bruce Kimmel, Common Councilmember; Tony Daddona, NPS
Interim Superintendent; Elio Longo, NPS COO,
Jeff Ziplow and Dominic Barone, Blum Shapiro; Pauline Smith,
Director of Pupil Personnel;
David Watts, Common Councilmember, (8:18 p.m.)

Mr. Hilliard called the meeting to order at 7:33 p.m. and announced that a quorum was present.

**** MR. KYDES MOVED TO APPROVE THE MINUTES OF THE
FOLLOWING FINANCE COMMITTEE MEETINGS:**

**February 14, 2013
February 19, 2013
February 21, 2013**

The following correction was made to the minutes of the February 14, 2013 meeting.

Page 7: 8th paragraph, first sentence should read: Mr. Kimmel said that he had done some research on this and about 600 courses have closed across the nation.

**** MOTION TO APPROVE THE MINUTES AS CORRECTED PASSED
UNANIMOUSLY**

Mr. Miklave rescused himself from voting on the following item and left the Common Council chambers.

**CLAIMS COMMITTEE: RECEIVE THE MONTHLY CLAIMS REPORT;
REVIEW AND APPROVE CLAIMS AS REQUIRED FOR CLAIMS REPORT
DATED:
MARCH 14, 2013.**

Ms. Biagiarelli reported that there were two claims this evening due to their dollar amount. One was an overpayment and the other was a duplicate payment. She said that anything over \$10,000 has to be voted upon.

**** MR. HILLIARD MOVED THIS ITEM TO THE FULL COMMON COUNCIL
** MOTION PASSED UNANIMOUSLY**

Mr. Miklave returned to the Common Council chambers.

**** MR. IGNERI MOVED TO RECEIVE THE NARRATIVE ON TAX COLLECTIONS DATED MARCH 14, 2013- RECEIVE REPORT AND DISCUSS.**

AND TO RECEIVE THE MONTHLY TAX COLLECTOR'S REPORT DATED FEBRUARY 28, 2013 - RECEIVE REPORTS AND DISCUSS.

Ms. Biagiarelli reviewed her written report dated March 14, 2013. She reported that collections are on track and are slightly ahead of last year in terms of collections. Demand notes were issued earlier this month. Ms. Biagiarelli said that they anticipate filling lien continuing certificates for past due real estate taxes and sewer use charges at the close of business that day.

**** MOTION PASSED UNANIMOUSLY**

**RECEIVE BOARD OF ESTIMATE AND TAXATION APPROPRIATIONS
DATED MARCH 4, 2013**

Mr. Hamilton reported that the Board of Estimate and Taxation approved one special appropriation for \$55,875 from Increased Revenues to various Fire Department accounts to cover the costs associated with the process of hiring new firefighters. He said that a total of 80 candidates made the eligibility test and the Chief is estimating that approximately 50 will remain once they take their physical ability assessment.

**** MR. HILLIARD MOVED THIS ITEM TO THE FULL COMMON COUNCIL
** MOTION 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 – CONTINUATION FROM FEBRUARY 14, 2013
MEETING**

Mr. Ziplow presented a Power Point presentation of their special education analysis.

Mr. Barone reviewed the special education procedures. He said that the budget amounts have not been altered significantly in the budget process.

Mr. Hempstead joined the meeting at 7:58 p.m.

Mr. Miklave asked for an explanation of the difference between accounts 562 and 563. Ms. Smith explained that account number 562 is the tuition account that is used to pay other educational authorities. Account number 563 is when they place students out of district.

Mr. Kydes asked what would happen if expenditures were under budget and there was a surplus. Mr. Barone said that the money would go back to the fund balance. Mr. Miklave asked if there is nothing that prevents a budget from not being reflective of the actual expenses. Mr. Barone said that the budget is an estimate at the beginning of the year and an estimate at the end of the year. He said that the budget document is the budget document and they are able to transfer budget dollars.

Mr. Longo said that the revised budget is inclusive of all intra year transfers. Mr. Kimmel asked if the revised budget amount is excessive, considering the amount in the original budget. Mr. Ziplow said that special education is an issue in many school districts; this is not solely an issue with Norwalk. He said that they can do their best to try and figure it out, but it is a moving target.

Ms. Smith explained that when she does her budget, she knows certain information and puts in her request based on the information she has at that time. When the funds are insufficient it reflects a change in student rosters. Mr. Kimmel noted that it is more often that students will come into the district rather than leave. Mr. Smith agreed.

Ms. Smith said that Norwalk seems to have more families moving in and there has been a significant increase in students with severe emotional needs and are placed out of district. There are many variables that are hard to predict. Mr. Hempstead said that moving forward, he hopes that someone will go back 10 years to look at trends.

Mr. Watts joined the meeting at 8:18 p.m.

Mr. Ziplow agreed and said that trends are important to take into account when creating the budget. Mr. Barone said that the special education tuition accounts have been overspent for FY09 – FY12.

Mr. Kydes asked for clarification; in FY 09-10-11 there were negative variances. He asked what happened in 2011 when they were \$1 million to the negative side. He asked about the reason behind the transfer of \$634,000 and where it came from. Mr. Barone said that something had to be under budget somewhere else. Mr. Kydes reiterated that he was trying to understand where the money came from. Mr. Barone said that he could not provide the Committee with that detail.

Mr. Hamilton said that it was not until 2012 that the Board of Education recorded transfers in the MUNIS system. Mr. Longo said that until 2012, the sole focus was on the bottom line. He said that he reviewed documents going back to 2007 and saw minor transfers.

Mr. Kimmel said that apparently not all of the transfers went before the Board of Education. Mr. Longo said he was correct and a change of practice took place in 2012. Mr. Ziplow said that there were no transfers in 2009-2010-2011.

Mr. Hempstead said that a new sheriff came to town to clean up the procedures. He said that the overall cash flow hides a lot of sins. Mr. Ziplow said that in 2012 the new sheriff understood what to do and looked at things in a cost effective, financial way. Mr. Hempstead said that the hope is to get real numbers with real reasons.

Mr. Miklave said that in looking at fiscal yearend 2011 there was a deficit of over \$1 million. He asked if there was evidence that the staff of the Board of Education was aware of that \$1 million deficit. Mr. Barone said that they had to know it by the reports. Mr. Miklave asked if there is evidence they ran reports. Mr. Barone said that there was no evidence that they ran reports.

Mr. Miklave asked Ms. Smith about the \$1 million deficit. Ms. Smith said that in her office she understood that they were allowed to go into deficit, but those accounts were reconciled at the end of the year. Mr. Miklave asked Ms. Smith, if in 2011 she knew or had discussions with the superintendent that the special education accounts 562 and 563 would be overspent by \$1 million and did the superintendent have a plan to cover those expenses. Ms. Smith said that the finance office knew there was not enough money in those accounts. She said that she did not know if there was a plan; she was not typically involved in those conversations.

Mr. Kydes said that he was very disturbed by what he was hearing tonight. He said that every penny has to reconcile. He asked where was the accountability? He told Ms. Smith that as a director of a department she was responsible for her budget. He said that

they need to understand who was responsible for the lack of controls. He added that he would hate to hear that there are two sets of books.

Mr. Hempstead asked if the school is obligated to provide services to a child that has been identified by the school system as requiring services. Mr. Longo said that they were obligated. Mr. Hempstead asked if they ended up with 30 extra students, would they have to provide for them, even if they were not in the plan. Mr. Longo said that they would have to provide services for those students.

Mr. Longo said that regarding the \$1 million, if you look back at 2009-2010-2011 you will learn that the budget at June 30th was balanced, yet in FY11, the combined special education accounts showed a deficit of \$1 million. He said that the Board of Education must have identified an offset for that amount. He said that there were years where insurance fund was not delivered to the City dollar for dollar.

Mr. Igneri said that it seems that the budget system is flawed and should be improved. Mr. Longo said that Ms. Smith's requests were closer to the actual compared to the final approved budget.

Mr. Kimmel said that from the City side, they felt that it was necessary for the Board of Education to have a contingency, but there was hesitancy from the Board of Education. He said that he was not surprised that there was a short fall in the special education budget, but was surprised at the ease in covering that shortfall.

Mr. Kimmel said that it is interesting how the former superintendent was able to whittle down the insurance projections when the budget requests made were between 5% and 8%. Mr. Longo said that is what got them into trouble.

Mr. Miklave said that he wondered if there was an intentional decision by the Board of Education not to transfer money into the insurance fund. He added that if a CFO of a publically traded company misstates books, someone goes to prison. He said that if there was a deliberate decision not to transfer funds to cover expenses to balance the books than that is a shocking disclosure.

Mr. Barone explained that the purchase orders were not utilized appropriately; they were used after the services were received. In addition, the purchase orders did not include enough detail. Mr. Kydes asked about the authorization process for purchase orders. Mr. Barone said that the purchase orders were for special education services. Mr. Kydes asked if the budget called for those kinds of services. Mr. Barone said that they were.

Mr. Kydes said that he is looking for separation of responsibilities and making sure those funds are spent for the purpose they were approved for. Mr. Ziplow said that the person who submitted the purchase order was not the same person who cut the check.

Mr. Barone explained that the budget transfers were not utilized adequately; the formal budget transfer policy was ambiguous. Mr. Longo described the current practice. Mr. Daddona said that he vaguely remembered that the budget transfers went to the Board of Education over the years. He said that he did not know how much came through, but there were a great many at the end of the fiscal year.

Mr. Hempstead said that the transfers should be recorded in the minutes.

Mr. Kydes left the meeting at 9:06 p.m.

Mr. Daddona said that at one time, the transfers did not go to the Board of Education. He said that he would have to go back to the policy. He said that he recalls that in 2009 there were transfers that went to the Board of Education. He suggested checking the minutes because they have to approve transfers.

Mr. Kimmel said that from 2005 – 2009 the transfers came before the Board of Education. In 2006 the Board was not happy with the format and it was changed. He said that he recalled that at almost the end of the year there were budget transfers. There was an assumption that these were all of the transfers being made, but he is not sure that is the case. Mr. Kimmel said that they were generally small transfers.

Mr. Ziplow said that it is clear to them that they were transfers approved by the Board of Education. Mr. Barone explained how the revenues were processed in the pupil personnel services department.

Mr. Hempstead said that in looking at 2009, there were almost \$3.2 million in reimbursements from the State, but that was reduced to \$1.9 million in 2010. Ms. Smith explained that during those years, there was excess cost reimbursement; the State determines what they will reimburse the district. She said that they are totally dependent upon what percentage the State reimburses.

Mr. Longo agreed and said that in 2009 the State was reimbursing districts dollar for dollar; in subsequent years the reimbursement was 70 cents on the dollar.

Mr. Barone presented their recommendations. Mr. Hempstead asked about the underutilization of the MUNIS system. Mr. Ziplow said that people are not using the features and functions in the system. He said that some people may need additional training. He said that by utilizing the technology, they can be more efficient.

Mr. Miklave asked about workers compensation cost trends. Mr. Ziplow said that he got an uncomfortableness in terms of workers compensation. Mr. Hamilton explained that any money budgeted for workers compensation goes into the insurance fund for workers compensation. He said that it is on the City side of the budget for the Board of

Education. He said that the trend is that they tipped over from having a surplus to being in a deficit position.

Mr. Hamilton said that there is a lot of uncertainty in projecting liabilities. He said that on a cash basis, that fund is in a healthy position. Insurance funds can be a source of real financial concern in some communities.

Mr. Miklave asked if the MUNIS system being underutilized is a Board of Education issue or is it a Citywide issue. Mr. Barone said that they did not do a lot with the City. Mr. Hamilton said that they have some power users of MUNIS, including Mr. Gildea, but generally they could use more training. He said that the City departments enter their budgets into MUNIS.

Mr. Miklave suggested thinking about increasing the overall use of the MUNIS system and if necessary to provide Citywide training.

Mr. Hilliard thanked Mr. Barone and Mr. Ziplow for doing a masterful job. He also thanked the Board of Education for their participation and for cooperating with this. He said that in his 10 plus years on the Common Council, this is the best he has seen of the City and the Board of Education working together.

Mr. Kimmel handed Mr. Longo a sheriff's badge.

**** MR. MIKLAVE MOVED TO ADJOURN
** MOTION PASSED UNANIMOUSLY**

There was no further business and the meeting was unanimously adjourned at 9:36 p.m.

Respectfully submitted,

Rosemarie Lombardi
Telesco Secretarial Services