

**TOWN COUNCIL SPECIAL MEETING - WEDNESDAY EVENING
FEBRUARY 2, 2011**

PRESENT: Marshall (arrived at 7:15 o'clock PM), Barboza,
Teixeira, and Parella

ABSENT: Herreshoff (due to illness)

ALSO PRESENT: Diane C. Mederos, Town Administrator
Julie Goucher, CPA, Town Treasurer

REPRESENTING Lefkowitz, Garfinkel, Champi, & DeRienzo, Inc.:

Frank Champi, Principal
Judith Ventura
Molly O'Meara

The Council met in special session on Wednesday evening,
February 2, 2011 in the Town Hall, Council Chambers, beginning
at 7:10 o'clock PM, Council Vice-chairman Barboza presiding:

Documents Received:

- Lefkowitz, et al Letter re: In planning... (draft)
12-28-2010
- Lefkowitz, et al Letter re: We recently... 12-28-2010
- Lefkowitz, et al Town Council Presentation 2-2-2011
- Lefkowitz, et al Basic Financial Statements Year Ended
6-30-2010

Barboza/Teixeira - Voted unanimously to
accept (ratify earlier action) the
final audit report.

Prior to the vote taken, Mr. Champi reviewed the documents
provided and explained that Lefkowitz, Garfinkel, Champi, &
DeRienzo, Inc. is in the second year of a three year contract
with the Town.

He noted "highlights" from the Town Council Presentation and
noted that the audit was prepared per generally accepted
auditing standards; expressing opinion on the Town's financial
statements. He added that although employees of his firm aided
in the preparation of the Financial Statements, the process was
"independent of the audit and without compromise."

Council Chairman Marshall arrived at this point in the meeting
and assumed the chair.

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Mr. Champi noted that the only portion of the Town's finances that is not specifically included in the financial statements is that of the Fourth of July Committee's finances; these being considered as an "infinitesimal" amount as compared to the Town's finances overall.

Mr. Champi also reported that these financial statements will be utilized to support the Town's upcoming general obligation bonds.

Mr. Champi noted that information provided on page 9 of the presentation includes an unrestricted fund balance of \$11,900,000 and an undesignated balance of \$8,332,000.

Mr. Champi reviewed the reasons for the noted budget deficit. He added that the deficit includes a "planned deficit" due to a carry-forward of the previous year's fund balances.

The reasons as outlined by Mr. Champi are:

1. The Town's pre-funding of capital expenditures out of operations
2. State budget cut of general revenue sharing (\$390,000)
3. 2% reduction in collection rate (\$400,000)

Mr. Champi explained that the Town has a "very healthy financial perspective and that this is good news for bond underwriters and citizen taxpayers."

Mr. Champi explained the different sets of statements found in the report including Government-wide Statements, Fund Statements, and Budgetary Statements.

Council Chairman Marshall asked to know if a recent donation of riparian rights were included in the statements with Mr. Champi responding that any donation would have to be appraised and added to the "Government-wide" Statements.

Council Chairman Marshall asked to know if the Town might consider expending funds in order to reduce the School District debt service with Mr. Champi responding that the School District appears to be in an equally good financial position.

A discussion ensued regarding School District funding.

A discussion ensued regarding tax stabilization and incremental tax increases.

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Councilwoman Parella observed that the Town has traditionally taken some of its "surplus" in order to offset the tax-rate. She added that the public generally does not view a large fund balance as desirable although it has been convenient to have unallocated funds available to fight LNG, etc.

Mr. Champi noted that having 18-19% unallocated fund balance is considered as "healthy." He added that some cities and towns will transfer any excess to a "rainy day fund" to be used for unanticipated expenses.

Town Treasurer Goucher suggested that if the Town would like to establish a "rainy day fund" the Council may wish to establish very specific rules for its use.

Councilwoman Parella asked to know if the Town should fund its Other Post-retirement Benefits (OPEB) Fund with surplus.

Ms. Ventura stated that this practice would allow for these assets to be invested for the future as opposed to remaining as unrestricted cash.

Mr. Champi cautioned that any funds placed in the OPEB would be no longer available to support any "emergency" expenditure. He noted that the State's unpredictability concerning aid to the cities and towns makes the availability of unallocated funds especially critical.

Councilwoman Parella asked to know the status of the Town's unfunded pension liability with Mr. Champi responding that the Town is much better off than Providence since the Town receives 59% of its pension liability from its trust funds and Providence receives only 18%.

Mr. Champi noted that the Town has traditionally paid the amount recommended annually by the actuaries and Providence has not followed the actuaries' annual recommendations. He added that the Town is "doing the right things."

A discussion ensued regarding the tax collection rate.

Town Treasurer Goucher stated that the Council may wish to consider the establishment of a Capital Projects Fund that would eliminate the current "roller coaster" effect of the Town's pre-payment and reimbursement for bonded expenditures. She added

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that this type of fund would eliminate the public concern for the "spikes" caused by the current practice.

Ms. Ventura noted that the Town has saved \$835,206 (2.1% of expenditures) versus the previous year's expenditures due to cost containment measures.

Councilman Barboza asked to know the source of "other revenue" of \$211,000 appearing on page 62 of the financial statements with Town Treasurer Goucher agreeing to check on the source of these revenues and provide information to Councilman Barboza.

Mr. Champi noted that the "enterprise fund" for the Water Pollution Control/Composting Enterprise is intended to break even and that it does so.

Mr. Champi congratulated Town Treasurer Goucher in that she "picked-up" quickly the details of the Town finances and that he believes that "she will work out" for the Town.

Ms. Ventura noted that the management letter is an improvement over the previous year's and that the Town is "doing very well." She added her belief that next year's report will be a marked improvement also.

A discussion ensued regarding the management of past grant-obtained funds. Town Treasurer Goucher noted that this is a long-range goal of her department and that there is no staff available to work on this issue at this time since there are more pressing priorities. She added that her office is creating accounts for each grant moving forward.

Mr. Champi agreed with Ms. Ventura that the Town has "come a long way" in its financial management with Council Chairman Marshall noting that the auditing firm has done an excellent job in informing the Council of the result of the audit.

Councilman Teixeira agreed that this evening's presentation was very useful and Councilwoman Parella agreed that the presentation was also thorough.

Preliminary Budget Discussion

Town Treasurer Goucher and Town Administrator Mederos reported that they have begun early with the budget process and that there have been meetings with department heads.

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Town Treasurer Goucher also reported that the percentage of the Town Budget supporting the Schools is growing. She presented the following figures noting that the Town was tracking 47% until 2008 and the percentages grew thereafter as follows:

2008: 48.74%
2009: 48.95%
2010: 50.71%
2011: 51.05%

Councilman Teixeira noted that there appears to be an \$80 million fund available to help those dealing with foreclosure issues. He agreed to provide data concerning same.

There being no further business, upon a motion by Councilwoman Parella, seconded by Councilman Teixeira and voted unanimously, Council Chairman Marshall declared this meeting to be adjourned at 9:10 o'clock PM.

Louis P. Cirillo, CMC, Council Clerk