

**BOARD OF FINANCE
MINUTES OF QUARTERLY REVIEW MEETING
January 27, 2010**

The Quarterly Review Meeting of the Board of Finance was held in Seminar Room 300, Board of Education Administrative Offices, 501 Kings Highway East, Fairfield, CT on Wednesday, January 27, 2010 at 7:30 p.m.

MEMBERS PRESENT

Chairman Thomas Flynn, Robert Bellitto Jr., Ken Brachfeld, James Brown, , Kevin Kiley, Mary LeClerc, Robert Stone, Michael Tetreau

MEMBERS ABSENT

Christopher DeWitt

ALSO PRESENT

Paul Hiller, Chief Fiscal Officer and Clerk of the Board of Finance
Bonnie McWain, Director of Finance, Board of Education, Town of Fairfield
Roger Autuori, Registrar of Voters, Town of Fairfield

ACTION TAKEN

1. Made by Kevin Kiley and seconded by Robert Stone.
I move that the Board of Finance recommend to the First Selectman and to the Board of Education that the Town and the Board of Education work together to conduct an operational audit of the entire town, including all departments in Fairfield's government.
The general purpose of this audit is to identify any and all areas of operational efficiency and cost savings for the town. We would like to see a vendor selected by April 1, 2010. This schedule would allow audit recommendations to be part of this fall's internal department process, town bodies to consider these changes in next spring's budget process and for the Town to benefit in the 2011-2012 fiscal year.
The Board of Finance would like to take an active role in the RFP process with the Town and the Board of Education, and an active role in the audit process and/or any committee formed.
Motion passed unanimously with a vote of 8 yeas, 0 nays, 0 abstentions.

REQUESTED ITEMS

- Mr. Kiley requested Mr. Hiller to add the item of report writing from the MUNIS system to the agenda for the January Quarterly Review meeting.
- Mr. Flynn asked Mr. Hiller for a schedule for revenues and any extraordinary expenses for the December BOF meeting.
- Chairman Flynn asked Mr. Hiller to provide the Board a report showing if any funds have been given to the GBTA for agenda item #3 since July 2009 and also, any portions of the detailed contract that might be informational for the Board.
- Mr. Bellitto asked Mr. Hiller for an explanation of the asset holdings in the Town's pension funds. Mr. Bellitto added that a forward look at the Town's pension fund requirements would be helpful going into the budget process.
- Mr. Kiley asked Mr. Hiller to provide the Board with an accounting of the Recreation Fund transfer of money that was discussed at an earlier meeting. Mr. Kiley noted that this transfer was initiated in order

Board of Finance

Minutes of Quarterly Review Meeting January 27, 2010

to reduce the balance in the Recreation Fund to its \$200K limit.

- Mr. Flynn asked Mr. Hiller to provide with a report showing how other AAA towns in the area are managing their Heart & Hypertension and Workman's Compensation accounts; either via an Internal Service Fund or a General Fund.
- Mr. Hiller was asked to distribute to the Board the updated Disaster Recovery Plan mentioned by Mr. Centofani.
- Mr. Centofani was asked to define the small differences in the Payroll Account Bank Reconciliation that were found during the audit and report that information back to the Board.
- Mr. Hiller was asked to provide the Board with a current State Labor Report on Unemployment.
- Ms. Churney, Hooker & Holcombe, LLC was requested to provide the Board with data on how incentive retirements impact pension liability going forward.
- Ms. Churney was asked to provide amortization schedules for 5 additional years.
- Mr. Kiley requested Mr. Hiller to provide the Board with a spreadsheet analysis with average cash balances on hand and return rate to be used in conjunction with the budget process this year.
- Mr. Flynn asked Hiller to provide the Board with a rate/volume analysis to be used during the budget process for reviewing revenue.
- Mr. Bellitto asked Mr. Hiller to obtain a short opinion letter from Town Attorney Richard Saxl listing all rights and responsibilities under the regional trash contract currently in place.
- Mr. Flynn asked Mr. Hiller to provide the Board with an analysis of embedded givebacks by bargaining units and the related amounts.
- Mr. Flynn asked Mr. Hiller to provide the Board with a report on the status of the police department budget including detail information on the related cost savings due to a vacancy on the force (healthcare, uniforms, etc.).
- Mr. Flynn asked Mr. Hiller to provide the Board with a schedule of school projects to include the amount that was bonded for each project, costs and the new State reimbursement amounts.
- Mr. Flynn asked Mr. Hiller to ask the First Selectman for a report to the Board regarding the status of the new train station project.

Board of Finance

Minutes of Quarterly Review Meeting January 27, 2010

- Chairman Flynn called the meeting to order at 7:34 p.m.

AGENDA

1. To hear a report from Dan Snyder, Executive Director, and members of the Board of Trustees of the Pequot Library on the activities and programs of the Library.

Dan Snyder, William Russell, Jr. and Peter Ventriglia presented their report to the Board. They stated that the Pequot Library has a very strong children's program and that, for every dollar provided to the library by the Town of Fairfield, the library raises two dollars via their own means. Mr. Russell stated that the library is asking for the same funding that it received last year. Mr. Snyder reported that there have been cost savings measures taken that have reduced staffing, energy costs, printing costs and healthcare costs to name a few. Mr. Snyder also reported that the library is open seven days a week.

Public Comment

None

2. To review the status of the Fiscal Year 2010 Budget as of December 31, 2009.

Mr. Hiller reviewed the seasonality report with the Board and noted the following items:

- Prior year delinquent tax collections are running well ahead of budget and there is no indication of a slow down in tax collections
- A lien sale should be scheduled for late spring or early summer
- The 30% decline in revenue estimates actually came in at 28-29%
- Building permits are down but there are several large projects on the horizon for spring (Whole Foods, Fairfield University, Sacred Heart University, etc.) and Mr. Hiller felt that the budget goal for building permits for this fiscal year will not be met
- Town dump scale fees and tonnage at the dump are down significantly for varied reasons and the Town is actively trying to enforce dumping regulations for commercial haulers
- A recommendation of a marginal rate increase will be made to the Solid Waste Commission for next year for residential dumping
- Interest income for overnight rates are very low, currently at .03% but State Statutes limit where the Town can place their money to increase income
- Interest on investments is running slightly below the budgeted amount

Mr. Kiley requested Mr. Hiller to provide the Board with a spreadsheet analysis with average cash balances on hand and return rate to be used in conjunction with the budget process this year.

Mr. Hiller, in response to a question from Mr. Brachfeld, explained that this Board is responsible for setting a reasonable revenue estimate but has no input on policies on how investments are made.

Mr. Tetreau noted that if building permits are tracked by commercial and residential, this information would be very helpful to this Board during the budget process in an effort to make a more accurate estimate of revenue from that source

Mr. Hiller reported that the Town makes \$6 per ton on commercial trash but commercial trash is down.

Mr. Flynn asked Hiller to provide the Board with a rate/volume analysis to be used during the budget process for reviewing revenue.

Board of Finance

Minutes of Quarterly Review Meeting January 27, 2010

Mr. Bellitto asked if it was a viable option for the Town to get out of the commercial trash area and just concentrate on residential trash. Mr. Hiller replied that the Town is in year 1 of a 5 year contract with CRRA. Mr. Hiller reported that there are 11 partners involved in this contract, all neighboring towns, so it is not an easy issue and it is not going away.

Mr. Bellitto asked Mr. Hiller to obtain a short opinion letter from Town Attorney Richard Saxl listing all rights and responsibilities under the regional trash contract currently in place.

Mr. Hiller reported that overall revenue YTD is below estimates and net revenue is about \$500K under estimates.

Mr. Hiller reviewed expenses with the Board and noted the following items:

- Police overtime – while the fire department has a minimum person status the police do not but the Police Chief is operating the department as if that requirement is in place so overtime is over current estimates.

Mr. Flynn asked Mr. Hiller to provide the Board with an analysis of embedded givebacks by bargaining units and the related amounts.

Mr. Flynn asked Mr. Hiller to provide the Board with a report on the status of the police department budget including detail information on the related cost savings due to a vacancy on the force (healthcare, uniforms, etc.).

Mr. Hiller expressed his concern that the Police and Fire Departments could have significant retirements in the next six months due to an incentive to retire before March 31st while still getting a COLA July 1st. This would create vacancies for a three month period that would need to be covered with personnel who are paid overtime, thereby increasing the overage in the overtime accounts.

Mr. Hiller reported that even though revenues are down \$500K, it is his opinion that expenses should be able to cover any shortfalls in revenue.

Public Comment

None

3. To hear a report from the First Selectman and Fiscal Officer on the current status of statutory grants, other grants, school building grants and STEAP grants received or anticipated to be received from the State of Connecticut.

Mr. Hiller reviewed a handout with the Board. Mr. Hiller noted that the report includes everything received as of January 20, 2010. Mr. Hiller reported that grants are down but indicators are that there will be no further cuts this year.

Mrs. McWain reported that the excess cost grant for special education had a \$725K cut. Mr. Hiller also noted that, as a result of the audit, the Town needs to reimburse the State for \$900K from the Ludlowe building project but this will be accomplished during the bond sale scheduled for this summer.

Mr. Flynn asked Mr. Hiller to provide the Board with a schedule of school projects to include the amount that was bonded for each project, costs and the new State reimbursement amounts.

Mr. Hiller also noted that the State has up to 4 years after the Board of Education accepts a project as complete to determine what the grant reimbursement will be.

Mr. Flynn asked Mr. Hiller to ask the First Selectman for a report to the Board regarding the status of the new train station project.

4. To review the "Fairfield Policy on Non-Recurring Capital Expenditures", dated June 30, 2006.

Board of Finance

Minutes of Quarterly Review Meeting January 27, 2010

Mr. Hiller reviewed a handout with the Board. Mr. Flynn reported that he had a meeting with Mr. Centofanti of Kostin, Ruffkess & Company, LLC, and he distributed the notes from that meeting to the Board. Mr. Hiller distributed a handout on General Obligation Bonds and Bond Anticipation Notes (BANS) and reviewed this data with the Board. Mr. Flynn suggested that the information concerning GASB definitions as explained in the handout should be forwarded to RTM members for their information. Mr. Hiller explained that BANS are written as 5 year notes with interest rate adjustments every year. The town can defer a principle payment on a BAN but that requires two people to authorize it (Bond Counsel and First Selectman) and the amounts appear in the Debt Service portion of the budget. Mr. Hiller also noted that each time the Town goes to buy bonds it costs about \$100K in fees.

Mr. Kiley asked:

1. Is it time to term out BANS? And if so, what effect would that have on the debit service?
2. How much should be added every year to the BANS through the budget process?

Mr. Hiller noted that Mr. Cleary, the Town Bond Counsel has agreed to attend the February meeting of this Board and, it might be possible to have a financial advisor attend that meeting also for the purpose of discussing BANS, bonds, etc. if that would be agreeable with the Board. It was the sense of the board that Mr. Hiller should invite those people to the meeting and add an agenda item to the evening's business on that subject.

Public Comment

Tim Kery, Board of Education

Pam Iacono, Board of Education

The policy an non-recurring was received by Board members; the BOE will have a window project coming up at a cost of about \$1.5M and they wanted to know how to proceed with this item, as a non-recurring item of a capital expenditure item?

Mr. Flynn explained that the BOF should decide the best way to finance a project and the BOE should decide what is needed and present their case for approval of that project.

Mr. Kery asked Mr. Flynn to define what would be a non-recurring project versus a capital item project. Mr. Flynn stated that really should be done on a case by case basis, and ideally that should be done in the fall, before the budget process has begun.

Mr. Kiley noted that a non0recurring item should not be married to be budget cycle policy but rather should be discussed during the year.

Ms. Iacono said, as she understand the process, when a capital request item goes to the Board of Selectmen and the BOS doesn't approve it, the request is not passed on to the BOF for consideration. Mr. Hiller and Mr. Flynn noted that the BOS is an advisory entity and the project can be forwarded to the BOF for further review even if the BOS does not approve it.

David Becker, RTM District !

If this type of request is put off until the fall, will the process turn into many different presentations or can they be lumped together?

If a 5 year BAN is deferred by 3 years to 8 years, doesn't that actually extend the life beyond the original intent for the item? Mr. Hiller stated that the Town is required to pay back a BAN within 8 years maximum.

He stated that he is in agreement with the direction the Board is taking to get proper schedules for financing in place.

5. To consider the engagement of an Operational Audit for the Town and Board of Education and to further consider a sense of the body resolution for the implementation of such an Audit.

Mr. Flynn stated that Mr. Flatto had asked the Board of Education to take on an operational audit ASAP and Mr. Flynn thinks that an operational audit would be good for all town departments, not only the

Board of Finance

Minutes of Quarterly Review Meeting January 27, 2010

BOE. Mr. Kiley expressed his support of this item.

Mr. Kiley moved and Mr. Stone seconded that the Board of Finance recommend to the First Selectman and to the Superintendent of Schools that the town and the education administration work together to conduct an operational audit of the entire town, including all departments in Fairfield's government. The general purpose of this audit is to identify any and all areas of operational efficiency and cost savings for the town. We would like to see a vendor selected by April 1, 2010. This schedule would allow audit recommendations to be a part of this fall's internal department process, town bodies to consider these changes in the next spring's budget process and for the town to benefit in the 2011-2012 fiscal year.

This should be done through the Town Purchasing Department with an RFP according to Mr. Hiller.

Ms. Iacono reported that the BOE drafted a letter to the First Selectman last night after the Finance Subcommittee voted to issue an RFP for the audit in March, and no later than April 2010, and this item will be on the agenda for the BOE for February. Ms. Iacono also noted that the BOE is being asked to add \$50K to the Operating Budget to cover the cost of this audit. Mr. Baldwin asked if the RFP will be reviewed by the BOF and Mr. Hiller replied in the affirmative.

Mr. Flynn moved and Mr. Stone seconded to amend the motion to include language that the BOF wants an active role in the RFP and wants to be part of the audit process.

Public Comment

Roger Autuori, Registrar of Voters

He has copies of the last 2 operational audits done for the Town if the BOF wants to review them.

Mr. Flynn moved and Mr. Tetreau seconded to amend the motion again to refer to the BOE instead of the Superintendent of Schools and the education administration.
Motion was passed with a unanimous vote of 8 yeas, 0 nays, 0 abstentions.

The amendment of the original motion to include language that the BOF wants an active role in the RFP and wants to be part of the audit process was passed with a unanimous vote of 8 yeas, 0 nays, 0 abstentions.

The motion, as amended twice, now appears as follows:

I move that the Board of Finance recommend to the First Selectman and to the Board of Education that the Town and the Board of Education work together to conduct an operational audit of the entire town, including all departments in Fairfield's government.

The general purpose of this audit is to identify any and all areas of operational efficiency and cost savings for the town. We would like to see a vendor selected by April 1, 2010. This schedule would allow audit recommendations to be a part of this fall's internal department process, town bodies to consider these changes in next spring's budget process and for the Town to benefit in the 2011-2012 fiscal year.

The Board of Finance would like to take an active role in the RFP process with the Town and the Board of Education, and an active role in the audit process and/or any committee formed.

The amended motion was voted on and passed with a unanimous vote of 8 yeas, 0 nays, 0 abstentions.

Board of Finance

Minutes of Quarterly Review Meeting January 27, 2010

6. To hear reports from sub-committees of the Board of Finance.

Mr. Flynn reported that the BOS tabled the Fairfield Woods Middle School \$24M funding request tonight and will consider it again next Wednesday so the BOF needs to hold a special meeting to vote on this item in February in order to move the project along.

The meeting was adjourned at 11:32 p.m.