

**BOAR OF FINANCE
MINUTES OF QUARTERLY REVIEW MEETING**

The Regular Monthly Meeting of the Board of Finance was held in Seminar Room 300, Board of Education Administrative Offices, 501 Kings Highway East, Fairfield CT on Tuesday evening, January 3, 2012 at 7:30 p.m.

MEMBERS PRESENT

Members of the Board of Finance present were Thomas Flynn, Chairman, Robert Bellitto Jr., Ken Brachfeld, Mary LeClerc., James Brown, Christopher DeWitt, Kevin Kiley, Robert Stone, Elaine Gaffney.

BOARD OF SELECTMAN

First Selectman Michael Tetreau

ALSO PRESENT

Paul Hiller, Chief Fiscal Officer. .

1. To approve minutes of the Organizational Meeting held on December 9, 2011.

Kevin Kiley *moved* and Christopher DeWitt *seconded* to approve the organizational Meeting minutes held on December 9, 2011, as submitted. Motion was approved with a vote of 9 yeas, 0 nays, 0 abstentions.

To approve minutes of the Regular Monthly Meeting held on December 13, 2011.

Kevin Kiley *moved* and Christopher DeWitt *seconded* to approve the Regular Monthly Meeting Minutes held on December 13, 2011, as amended: On page three, under #7: Mr. Hiller discussed the memo with the Board from Eileen Kennelly regarding the \$901,467 Roof Appropriation. Motion was approved with a vote of 6 yeas, 0 nays, 3 abstentions (Flynn, Brachfeld, LeClerc).

2. To hear and discuss a report from the Investment sub-committee of the Board of Finance. (Tabled from the meeting of December 13, 2011).

Mr. Brachfeld updated the Board regarding the Investment Account Sub-Committee Report. He noted the Sub-Committee has met three times. The Committee Members, Selectman Tetreau, Chief Fiscal Officer, Paul Hiller were in attendance.

Board of Finance Meeting Minutes

January 3, 2012

Mr. Brachfeld addressed the following four topics on behalf of the Sub-Committee:

1. The committee was informed by Mr. Hiller that the Town keeps up to \$20 million in checking deposits at People's Bank. These deposits are kept liquid to facilitate the town's daily cash. The members are concerned regarding this account's lack of FDIC coverage. An alternate account designation that provides full FDIC coverage was identified. The account registrations were changed by the Sub-Committee as well as the First Selectman.
2. The committee was concerned regarding certain mortgage-backed securities held in this investment account. The investment account held approximately \$10 million worth of these securities and with the encouragement of the First Selectman and the committee. The securities were liquidated. The committee felt the securities were not "bad" but felt they were inappropriate for this investment.
3. The committee discussed the Town's lack of a written investment policy for this account. Even though the State Statutes provide their own generic guidelines, the committee feels the town should have its own specific policy. Mr. Hiller shared the policy for the town of Darien with the committee. They were in agreement with this policy and Mr. Hiller to develop a policy for Fairfield that uses Darien's as a starting policy.
4. The committee was concerned that these responsibilities are being currently managed by Mr. Hiller on his own, with the First Selectman's oversight. They feel this is not a job for one person to do on his own.

Mr. Brachfeld further noted their first two concerns have been addressed. He asked Mr. Hiller to report back to the committee regarding their concern under number three. They strongly support the creation and adoption of a written investment policy statement. They feel it's not safe for taxpayers or town officials to have no guidelines for investment decisions. The committee also recommend that the town hire a "cash management" firm to administer this account.

3. To hear and discuss a report from the Budget sub-committee of the Board of Finance. (Tabled from the meeting of December 13, 2011).

Mr. Belitto gave updated the Board regarding the Budget Sub-Committee report. He discussed the meeting minutes of May 18, 2010 (a copy is of which attached as Schedule

A). He also addressed the following proposed December 6, 2011 Board of Finance Document Delivery Policy:

1. Commencing January 1, 2012, all documents submitted to the Board of Finance for their consideration shall be delivered electronically in PDF format no later than twenty-four hours prior to a scheduled meeting.
2. Said documents shall be emailed to the Board members in a “virtual manila envelope” that shall be labeled with the prefix BOF and a suffix containing the meeting date at which said documents are to be considered. (e.g. BOF 12062011).
3. This policy is subject to the following exception, and a hard copy may be substituted where:
 - a. The Clerk and Chairman of the Board of Finance jointly determine that a document is too large to be feasibly delivered in electronic format;
 - b. A Board member specifically requests that a document be made available to them as a hard copy. This exception shall expire on December 3, 2013.

Mr. Belitto suggested that this proposal be voted on in the near future. The Board were in favor of electronic delivery.

Public Comment

David Becker, RTM Member for District 1

Mr. Becker noted he was in favor of more people showing up at the RTM .

4. To receive and consider the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2011 as prepared by J. H. Cohn, LLP.

Joseph Centofanti, Auditor, presented the Comprehensive Annual Financial Report in detail with the Board. He recommended adopting the fund balance policy as presented.

The Board discussed this item at length.

Chairman Flynn noted the Audit Committee has not had time to meet with the Auditors and asked that the Audit Committee hold a meeting with the Auditors to make sure their comfortable with the report. He also noted the Board meet with Mr. Centofanti and Mr. Hiller to go over the GASBY principals before adopting the report.

The [Board of Finance](#) learned Tuesday there is good news about the town's unassigned fund balance of \$13.41 million -- it's 5.36 percent of the annual budget.

The bad news about the town's unassigned fund balance? That at \$13.41 million, it is 5.36 percent of annual municipal expenditures.

Chairman Flynn noted this board in particular, with help from the administration, has taken great pains to pay attention to this number," said [Thomas Flynn](#), the finance board chairman. "We were always led to believe the credit agencies looked for a 5 percent undesignated reserve" as the standard for securing a AAA rating for municipal bonds.

However, he said, officials learned recently that either that number has been updated to a 10 percent unassigned fund balance or "we were operating with false information."

Fiscal Officer [Paul Hiller](#) said that for the last several years, the town has targeted the 5 percent number as its goal for the fund. "We were under 5 percent for a couple of years," he said. "We've obviously gone beyond that at this time."

He said in Connecticut, the average fund balance for municipalities with AAA credit ratings is in the 10 percent range. "We are on the lower end," Hiller said, but added that can be deceiving.

Hiller said the town has shown significant improvement for the last four consecutive years. "We've gone from just over \$6 million in '05 to \$13.4 million in the current year," he said.

First Selectman Michael Tetreau, who first took over as chief elected official in May but had served on the finance board prior to that, agreed that the board first had difficulty getting copies of the credit agency rating reports, and recently learned during conference calls with other area first selectmen and mayors that towns are using the 10 percent benchmark to maintain the top credit rating.

"I'd say that wasn't clearly communicated to the Board of Finance," Tetreau said. "They are looking for 10 percent."

But, Tetreau said, there are other factors considered by the rating agencies. For example, he said, Fairfield does better than some other AAA communities in the area of pension funds.

Flynn said the steps needed to get closer to the 10 percent fund balance will be a major part of budget discussions this year. "These all have to be prioritized," he said.

The chairman also questioned a notation in the annual audit that indicated the town has a policy regarding the unreserved fund balance.

Flynn said he doesn't recall ever voting on such a policy. "I don't ever remember it coming before us for a vote," he said, and asked Hiller to forward a copy of that document.

First Selectman Michael Tetreau, agreed that the board first had difficulty getting copies of the credit agency rating reports, and recently learned during conference calls with other area first selectmen and mayors that towns are using the 10 percent benchmark to maintain the top credit rating. He noted this wasn't clearly communicated to the Board of Finance because they are looking for 10 percent.

Chairman Flynn also noted

5. To hear, consider and act upon a resolution authorizing the issuance of bonds in the principal amount of \$225,000 to finance the remaining unpaid costs incurred in connection with the construction of the Harbor Road Bridge, and authorize the First Move to postpone the vote to a date certain while a recommendation to the administration Selectman to sign the agreement entitled "Second Supplemental Agreement between the

State of Connecticut and the Town of Fairfield for the Construction, Inspection and Maintenance Required in conjunction with the Replacement of the Harbor Road Bridge (Bridge Nos. 04950 and 04951) over the Mill River Utilizing Federal Funds from the Highway Bridge Program and a Project Grant under the State's Local Bridge Program".

Richard White, Director of Public Works presented this item to the Board. He noted that the Harbor Road Bridge was completed in 2006. He noted the town has recently received the second and final Supplement Funding Agreement that will allow them to close out the project and receive the remaining state and federal funding. The significant delay in closing this project was due to a long negotiation with the contractor over a very costly and unavoidable change order that was eventually reduced from \$420,000 to \$160,000. The final cost of the project (\$3,580,152) is \$319,798 less than the Town's \$3,900,000 appropriation. But, the town's appropriation was based on the exception that the costs would be totally reimbursed by federal and state funds. There are \$250,000 of ineligible costs that has to be paid by the town. Mr. White further noted, non-eligible Grant items included, winterizing bridge (\$8,000), temporary per-cast-curb (\$7,000), ineligible engineering costs (\$205,800). The ineligible engineering costs are due to the state's criteria's of not paying for costs incurred 120 days completion date and capping engineering costs at the 15% of the construction cost.

The Board discussed this item at length and had concerns about why .

Chairman Flynn noted

Mr. Belitto asked if the Board could get legal opinion from the Town Attorney by February 7th.

Selectman Tetreau noted there is a fair amount of confusion on this item. He suggested getting a complete presentation to the Board before making an informed decision.

After discussion:

Ken Brachfeld moved and Robert Bellitto seconded to table the resolution authorizing the issuance of bonds in the principal amount of \$225,000 to finance the remaining unpaid costs incurred in connection with the construction of the Harbor Road Bridge to a date certain and to request that the administration go back to the vendors and provide additional color to the Board on the increase cost as well as to try to reduce the fees and exactly what is required to get reimbursed from the State. Motion was approved with a vote of 6 yeas, 3 nays (Flynn, Belitto, DeWitt), 0 abstentions.

6. To hear, consider and act upon a resolution authorizing the issuance of bonds in the principal amount of \$961,400 to finance the replacement of the Merritt Street Bridge, and authorize the First Selectman to sign the agreement entitled "Agreement between the State of Connecticut and the Town of Fairfield for the Construction, Inspection and Maintenance for the Replacement of the Merritt Street Bridge (Bridge No. 04957) over Horse Tavern Brook Utilizing Federal Funds from the Highway Bridge Program".

Richard White, Director of Public Works presented this item to the Board. He noted the Merritt Street Bridge was built in 1930 with a partial reconstruction in 1957. In 2005 DOT bridge inspectors rated the bridge in poor condition. As a result, \$150,000 was appropriated to hire a Consulting Engineer to design the bridge. Based on the engineer's estimate, Mr. White requested \$700,000 in 2006 for construction. The estimate turned out to be too low. The design hit major obstacles in obtaining permits and acquisitions of a private easement that went to court. The design including all necessary permits and easements was recently completed and DOT has forwarded the funding agreement that provides for 80% federal funding for the constructing cost of \$1,661,400, leaving a local share of 20% or \$332,280. Because this is a reimbursable grant, the Town must appropriate the total construction cost and receive reimbursements as invoices are processed from the Engineer and Contractor. The amount requested is \$1,661,400 less the \$700,000 previously appropriated, which equals \$961,400.

After discussion:

Kevin Kiley moved and Christopher DeWitt seconded to approve issuance of bonds in the principal amount of \$961,400 to finance the replacement of the Merritt Street Bridge. Motion was approved with a vote of 9 yeas, 0 nays, 0 abstentions.

7. To hear, consider and act upon any communications.

None

8. To hear, consider and act upon any other business which shall properly come before this Meeting.

None

There being no further business to come before the Board, Elaine Gaffney *moved* and Christopher DeWitt *seconded* to adjourn the meeting at 11:03 p.m. *Motion passed unanimously.*

Respectfully submitted,

Josephine M. Keogh