

**BOARD OF FINANCE
MINUTES OF QUARTERLY REVIEW MEETING
October 29, 2013**

The Quarterly Review Meeting of the Board of Finance was held on Tuesday, October 29, 2013 at 7:30 p.m. in Seminar Room 295A&B, Board of Education Administrative Offices, 501 Kings Highway East, Fairfield, Connecticut.

MEMBERS PRESENT

Catherine Albin, Robert Bellitto Jr., Ken Brachfeld, James Brown, Christopher DeWitt, Thomas Flynn, Mary LeClerc, Robert Stone, James Walsh

MEMBERS ABSENT

None

ALSO PRESENT

Robert Mayer, Chief Fiscal Officer
Caitlin Bosse, Controller and Clerk of the Board of Finance, Town of Fairfield
Michael Tetreau, First Selectman, Town of Fairfield
Kevin Kiley, Selectman, Town of Fairfield
David Title, Superintendent of Schools, Board of Education (BOE)
Brian Vahey, Town Pension Board & Joint Pension Investment Board, Town of Fairfield

ACTION TAKEN:

1. Approved the minutes of the following meetings:
 - Budget Hearing of the BOF from March 23, 2013
 - Budget Hearing of the BOF from March 28, 2013
 - Budget Hearing of the BOF from April 2, 2013
 - Quarterly Meeting of the BOF from April 30, 2013
 - Regular Monthly Meeting of the BOF from May 8, 2013
 - Regular Monthly Meeting of the BOF from June 4, 2013
 - Regular Monthly Meeting of the BOF from August 6, 2013
 - Regular Monthly Meeting of the BOF from September 3, 2013
 - Capital Planning Meeting of the BOF from September 17, 2013

Chairman Flynn called the meeting to order at 7:32 p.m.

Anna DeWitt and Ryan DeWitt led those present in saying the Pledge of Allegiance.

Chairman Flynn asked for a moment of personal privilege for the presentation of gifts to honor former and soon to be former BOF members Robert Bellitto, Jr., Kevin Kiley, Robert Mayer and Michael Tetreau. Chairman Flynn stated that the Board has had the pleasure of their Dedication, wisdom, knowledge and

friendship and he thanked them for their service. Mr. Kiley also thanked Mr. Bellitto, Jr. for his service to the Town and he also wished all members running for election to the Board the best of luck on Election Day.

AGENDA

1. To discuss Minutes format and content

Ms. Bosse reported that the Board of Finance is FOI compliant and everything is posted on the Town website. Chairman Flynn noted that all information, including all supplemental data, is on the website but it is sometimes necessary to search around the website to find the particular supplemental information of interest.

Chairman Flynn suggested if a Board member wishes to have a specific comment included in the minutes the Board member should state that and present the secretary with a written copy of the requested comment.

Mr. Brachfeld stated that, in his opinion, the clarity of the minutes, combined with the accessibility of viewing the minutes from the Fair TV recordings and the information available on the Town website, is more than adequate for anyone who was not able to attend the meeting in person.

Mr. Walsh suggested that the reasoning behind an action should be included in the minutes so that someone not present at the meeting would have a better understanding of the discussion that took place before the action was taken.

Mr. Bellitto, Jr. suggested that the secretary should be allowed to make a synopsis of a discussion in her role as a professional secretary.

Mrs. Albin stated that, in her opinion, an expansion of the discussion of a voting item, especially an important one, should be included in the minutes.

Mrs. LeClerc noted that the inclusion of any requested documents at the end of the minutes has proven to be quite helpful.

Ms. Bosse informed the Board that she will proceed to ensure the format of the minutes will be consistent even though several different people are taking the minutes at different meetings.

See attachment at end of minutes.

Chairman Flynn turned the gavel to Vice Chairman Bellitto, Jr.

2. To approve Minutes

Mr. Walsh moved and Mr. Brachfeld seconded to approve the minutes of the Budget Hearing of the BOF from March 23, 2013. Motion passed unanimously.

Mr. Walsh moved and Mr. Brachfeld seconded to approve the minutes of the Budget Hearing of the BOF from March 28, 2013 Motion passed with a vote of 8-0-1(DeWitt).

Mr. Walsh moved and Mr. Brachfeld seconded to approve the minutes of the Budget Hearing of the BOF from April 2, 2013 Motion passed unanimously.

Mr. Walsh moved and Mr. Brachfeld seconded to approve the minutes of the Quarterly Meeting of the BOF from April 30, 2013 8-0-1(DeWitt)

Mr. Stone moved and Mr. Brachfeld seconded to approve the minutes of the Regular Monthly Meeting of the BOF from May 8, 2013 Motion passed unanimously.

Mr. Walsh moved and Mr. Brachfeld seconded to approve the minutes of the Regular Monthly Meeting of the BOF from June 4, 2013 Motion passed unanimously.

Mr. Walsh moved and Mr. Brachfeld seconded to approve the minutes of the Regular Monthly Meeting of the BOF from August 6, 2013 Motion passed unanimously.

Mr. Walsh moved and Mr. Brachfeld seconded to approve the minutes of the Regular Monthly Meeting of the BOF from September 3, 2013 Motion passed unanimously.

Mr. Flynn moved and Mr. Stone seconded to approve the minutes of the Capital Planning Meeting of the BOF from September 17, 2013 Motion passed with a vote of 5-0-4(Bellitto, Jr., Brachfeld, DeWitt. Walsh).

3. To review the current status of the Town's Pension Funds.

Mr. Vahey reviewed the Callan Report for Pensions, as of September 30, 2013, with the Board. Mr. Vahey reported that the returns have been good and the overall actuarial target has been exceeded. Mr. Vahey also noted that the Boards have started funding the additional private equity mandate. Mr. Brachfeld expressed his concerns with the rationale of having a relatively high concentration in two fixed income funds (one has 15%, the other has 14%). Mr. Vahey responded that there are guidelines for utilizing single managers and these percentages do not exceed those guidelines. Mr. Brown questioned the large swing in the last 36 months in the Hedge Funds. Mr. Vahey stated that the Hedge Funds monies appear off but that is due to some returns the Town has received from the Madoff Funds that the Town has recently received. Mr. Walsh asked if, in regards to Domestic Equities, are there any policies/guidelines in place concerning the maximum amount that may be invested with any one fund. Mr. Vahey responded that in the IPS there are guidelines and those guidelines have not been exceeded. Mr. Vahey also noted that the guidelines are percentage based but, since he does not have the written guidelines tonight, he would rather have the guidelines sent to the Board members for their information. Mr. Walsh asked Mr. Mayer if Mr. Vahey could provide the Board with the Pension IPS. It was decided that Mr. Vahey would provide that requested information via email to all Board members.

Mr. Vahey then reviewed the Callan Report for OPEB, as of September 30, 2013, with the Board. Mr. Vahey stated that the assets have grown to \$14M and it is a much shorter allocation because, from a cost perspective, with this amount of money, it doesn't make sense to have all the different managers because we cannot get the benefits of the same reduction in costs. Mr. Vahey also noted that the mix of assets is now at 70% Equities and 30% Fixed Income. Chairman Flynn asked Mr. Vahey for the target return. Mr. Vahey replied that the target return is based on allocations that move every month. Mr. Vahey reported the target return on the pension side is about 7%-7 ½% and the target return on the OPEB side is about 7 ½% - 8% based on historical returns.

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Mr. Brachfeld noted, as a former member of the Pension Board, the best we can ask of our advisors is to out-perform the market.

Mr. Walsh asked Mr. Mayer to provide the Board with a report of the % funded in the Town Pension funds as well as a historical analysis report for both Pension and OPEB. Mr. Mayer noted that changes are made once each year.

Mr. Walsh also asked Mr. Mayer to provide the Board with the OPEB IPS.

Mr. Mayer noted that questions regarding the percentage funding for OPEB will come up during the budget process this year.

Chairman Flynn reminded Mr. Mayer that he had already requested an advance preview of what the ARC's will be for this budget year.

4. To review the BOE financial position versus budget as of Q1 FY14.

Dr. Title presented this item to the Board.

Dr. Title informed the Board that the SpEd liability is carried until the State Grant is received, usually in December each year. Dr. Title said the first quarter always looks bad because of this liability. Dr. Title also informed the Board that the BOE is frightfully close to the FTE budget. Dr. Title stated that there were 2 more retirements than had been budgeted (18 instead of 16).

When asked for an update on medical expenses, Dr. Title stated that, due to carrier changes, it is hard to determine experience but in June the account was accurate and very close to the budget amount and, the BOE is presently on track with projections.

Dr. Title reported that the BOE does not expect any surprises in health insurance. Dr. Title also reported that all State and Federal grants are budgeted as net budgets, taking into account State Grants that should be received during the fiscal year, but, the exact amounts of the Grants are not set when budgets are created. Dr. Title also informed the Board that the Sequester affected the BOE budget on income as the IDEA Grant will not be as much as anticipated.

5. To review Town financial position versus budget as of Q1 FY14.

Mr. Mayer presented this item to the Board. Mr. Mayer reviewed the reports with the Board.

Mr. Mayer noted that the BOF Reporting Sub-Committee had met and came to the following conclusions:

1. The reporting format presented tonight was the one chosen by the Sub-Committee
2. AP payments are held open until the end of August in an attempt to gain payments therefore no accruals are done at quarter end but rather accounting is done on a cash basis. So, the first quarter reflects only one month, not three months as normally expected.
3. Full and complete information on variances are needed for better explanations.
4. In the future, reports should be as of the 2nd week of the 2nd month following the close. This quarterly report will be incomplete as noted due to time constraints.

Mr. Mayer reported several variances to be noted by the Board: Conveyance fees, building permits and taxes.

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Mr. Mayer was asked to request from the Town Clerk a comparison report of Conveyance fees from last year to this year at this time.

Ms. Bosse stated that Storm Sandy repairs have increased the electrical permits over the budgeted amount.

Mr. Mayer noted that the coupon interest was under budgeted and there is a potential \$400K variance for the entire year.

Mr. Mayer reported that the Police and Fire budgets are based on old contracts and transfers will be needed when the new union contracts are approved. Mrs. LeClerc reminded Mr. Mayer that the Auditors had recommended that transfers for this purpose should be done right after the contract settlement has been made. Mr. Walsh noted that doing the transfer immediately would add to clarity and presents a more accurate contingency account number.

Mr. Mayer reported that DPW is being paid at the 2014 scale so that is not a problem.

Mrs. Albin asked if there needs to be a sense of the body motion to see these budget numbers properly reported for the budget process but Mr. Bellitto, Jr. informed the Board that a sense of the body motion is not needed since there is a past practice that has been established for this type of process.

Mr. Mayer reported that the Fire Department line OT Earnings – Bus/other Relief (at 145%) was not explained by the Fire Department prior to the creation of this report.

Mr. Mayer also reported that the totals on page 5 of the report are only for accounts that were subject to review; accounts listed below the bolded total line are not included.

Mr. Walsh asked Mr. Mayer to explain why the IT Fees & Professional Services item is so high (50%).

Mr. Mayer noted that this item is on the agenda again for next week's meeting. Mr. Mayer reported that Mr. Leslie tried to explain why this item was needed but, unfortunately his explanation was not adequate. Mr. Mayer explained that 90% of the items in this portion of the budget are required for the running of the Town. Mr. Mayer stated that the move to Munis cloud storage was not specifically approved by this Board. Mr. Mayer further noted that the funding for Munis cloud storage is necessary and is more cost effective than other options. Mr. Mayer further stated that moving to Munis cloud storage is needed for the Town's disaster recovery program to be efficient. Upon further questioning from the Board, Mr. Mayer stated that the decision to proceed with moving data to Munis cloud storage was a judgment call made by Mr. Mayer, the IT Department and several members of this Board and, in his opinion, was the right decision.

Mr. DeWitt stated that, the last time we spoke, Mr. Leslie apparently did not understand that the BOF needed a comprehensive IT plan before \$100K would be released from contingency for this particular situation (Munis Cloud Storage). Mr. DeWitt stated that he has not yet seen any Comprehensive Plan and he is not aware that any member of the Board has seen such a plan and therefore, the transfer of these funds should not have been done. Mr. DeWitt stated that his expectation is to first see and IT plan and after that, the funding for this item could be approved by the BOF but until that time, no transfer of money should be made.

Chairman Flynn informed the Board that after that meeting, Mr. Mayer had reached out to him and other members of this Board about this situation being a very time sensitive situation. Chairman Flynn reported that Mr. Mayer had informed him that if this item was not moved on immediately, there would be a price increase that would prove prohibitive and it would cause all kinds of administrative and

operational issues for the Town. Chairman Flynn noted that both Mr. Mayer and Mr. Tetreau understood that they needed to come back before this Board at a later date with a Comprehensive IT plan for this Munis Cloud program due to the specific issues raised by Mr. DeWitt. Mr. Mayer reported he called Mr. Flynn, Mr. Brown, Mr. DeWitt regarding this item.

Mr. Bellitto, Jr. Expressed his discomfort with moving any of the \$100K before the entire Board had an opportunity to vote on the item.

Mr. Mayer explained to the Board that there was a choice in this situation to either spend the money on Munis Licensing or on the Munis cloud storage. Mr. Mayer stated that the decision to use the cloud option resulted in improved service and the savings of a lot of money. Mr. Mayer also explained that the \$100K was moved from one account in the IT budget to another account in the IT budget.

Mr. Walsh stated that at the September 3rd BOF meeting, he asked for a Cost Benefit Report which has not yet been received. Mr. Walsh further stated that, in his opinion, the Town Administration took the authority of the BOF away by placing \$100K in IT Contingency and spending it without BOF authority. Mr. Walsh stated that Mr. Leslie needs to present his budget with justifications to the BOF this budget season.

Mr. Bellitto, Jr. stated that, going forward, Mr. Leslie needs to appear and explain at the next BOF meeting and, if not possible, at a date certain, the details of this situation.

Mr. DeWitt questioned why the expenditures for Fire, line items 51064 & 51066 are so high. Mr. Mayer responded that there was a heavy vacation period and the department was understaffed in August with positions filled in September. Mr. Tetreau stated there were a number of retirees last year and it takes time to bring in new employees since new hires need to go to the academy for 7 months and the shifts for those new employees need to be filled with OT time. Mr. DeWitt stated that he remembers specifically bumping up these line items last year so that this overage would not occur again. Mr. Tetreau said that the Fire Department needs to come before the BOF and explain the overage in these line items in detail. Mr. Bellitto, Jr. will make a formal request for this to happen.

Mr. Walsh asked Mr. Tetreau if the Police line item 51040 is big due to the new contract. Mr. Tetreau stated that the special officers are not covered under the contract so he will check on this and report back to the BOF.

Mr. Walsh also asked about DPW, line item 54120-Utilities-Gas and why the gas bill was so large (254%). Mr. Mayer stated that this is one of the items that the Department Head did not have sufficient time to respond to prior to this meeting but Mr. Mayer will follow up with the Department Head.

6. To hear Sub-Committee updates

- Fund Balance Sub-Committee

Mr. Walsh presented this item to the Board.

Mr. Walsh stated this committee last met in early September.

Mr. Walsh said they have tried to arrange a conference call with the rating agencies (Moody's & Standard & Poor's) but have not yet been able to arrange this.

Mr. Walsh stated that Standard & Poor's has come out with a new rating system partially based on fund management. The Committee needs to review the criteria for the new rating system.

- Investment Sub-Committee

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Mr. Brachfeld presented this item to the Board.

Mr. Brachfeld stated that at their last meeting an overview was presented.

Mr. Brachfeld stated they are working with Mr. Mayer, Mr. Brown and Mr. Flynn and the Sub-Committee will, at their next meeting, review an Investment Guideline Draft Policy according to Mr. Mayer.

- Reporting Sub-Committee

Mr. Brown presented this item to the Board.

Mr. Brown stated that the reports that were used tonight were custom reports from Munis which were created by Mr. Mayer and his staff. Mr. Brown stated that, if the variance reports are acceptable, they will be used going forward at Quarterly Review Meetings.

Chairman Flynn expressed his opinion that the reports are well done and they should lead to consistency in the future. Chairman Flynn also commented that the Quarterly Meeting timeframe could be delayed in order to produce better information but “red flag” items need to be addressed as soon as discovered.

Mrs. LeClerc asked if a total payroll line or a payroll line by department could be added to the budget. Ms Bosse explained that all reports are all custom so if the Board can define their exact requirements, the reports can be modified. Mr. Brown informed the Board that the reports are all custom and it requires a great deal of time for the finance staff to prepare them. Chairman Flynn asked the Sub-Committee to discuss the possible revisions and report back to the Board at the next Quarterly Review Meeting.

- Audit Sub-Committee

Mrs. LeClerc presented this item to the Board.

Mrs. LeClerc stated that the last meeting of the Sub-Committee was held on September 5, 2013 and at that time the Committee was informed that the audit has been started by Mr. Centofani.

Mrs. LeClerc stated that the next meeting of the Sub-Committee will take place on December 10, 2013.

- Budget Sub-Committee

Mr. Bellitto, Jr. presented this item to the Board.

Mr. Bellitto, Jr. reviewed the Committee Report and noted the following points:

- budget meetings are on time and on budget
- Fair TV makes the meetings readily accessible
- redundancy during budget process needs to be reduced
- RTM attendance could be improved as the same 6-7 people show up but with Fair TV perhaps many other RTM members are watching the meetings from home
- on-time data and budget updates are better but still need to be more timely
- Budget books to be delivered, picked up or possibly sent electronically?
- MUNIS, MUNIS, MUNIS – Budget spent versus approved
- The not-for-profit process is broken and political and needs to be addressed and modernized.

The Sub-Committee is working on this and the recommendation for revision is as follows:

- 1st Selectman will submit one lump sum amount
- BOF & RTM vote is on lump sum amount only

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- allocations will be made by an outside entity
- formal criteria will be developed
- annual open application process

These steps should remove politics from the equation and this is a process similar to one being used in Greenwich successfully.

- The Saturday morning meeting, has it lost its effectiveness?
- Communications between the BOF and the RTM needs to be better

Mr. Walsh commented that- in his opinion, the Saturday meeting should remain as it provides an opportunity for folks who cannot make the evening meetings a voice; RTM attendance has been affected by the option of Fair TV.

Mr. Flynn commented that, in his opinion, the Not For Profit process needs to be moved forward; the Saturday meeting needs to remain but perhaps the venue needs to be changed.

Mrs. Albin commented that, in her opinion, the Sub-Committee should continue their work but she is not sure this Board can implement this Not For Profit item.

Mr. Mayer stated that the Finance Department needs input on the calendar before it is created.

Mr. Mayer also stated that the finance Department would like to move all of the healthcare costs to one account and pull that data out of the individual department budgets in an effort to make the distribution of costs more manageable.

See attachment at end of minutes.

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

Vice Chairman Bellitto, Jr. invited all members of the Board who are up for re-election to make any comments:

- Mrs. Albin, in the interest of the hour, she had no comments.
- Mr. Stone, in the interest of the hour, had no comments but he did want to thank Mr. Bellitto, Jr. for his service to this Board.
- Mr. Walsh, in the interest of the hour, has no comments. He also thanked Mr. Bellitto, Jr. for his service and he hope Mr. Bellitto, Jr. would continue in some form of service in this community.
- Mrs. LeClerc agreed with everyone else about the hour and she also thanked Mr. Bellitto, Jr. for his service.

Mr. Bellitto, Jr. also thanked everyone for the opportunity to serve Fairfield. Mr. Bellitto, Jr. stated that this has been a great group of individuals to work with and he hopes to continue his service to the Town. Mr. Bellitto, Jr. said it has been an honor to serve on this Board and he also thanked his family for all of their love and support. Mr. Bellitto, Jr. also thanked Mr. Flynn for the opportunity to run the meeting tonight.

Chairman Flynn wished all the candidates for re-election the best of luck on Tuesday!

The meeting was adjourned at 10:41 p.m.

Respectfully Submitted,

Deborah J. Garavel
Recording Secretary

ATTACHMENTS

BOARD OF FINANCE
BUDGET SUBCOMMITTEE (Mr. Bellitto, Mr. DeWitt, Mr. Stone)

2013 BUDGET PROCESS IN REVIEW

We met on October 1, 2013. We talked. We listened. We talked some more. Since no one came to watch, here's the recap.

THE GOOD

1. NR Capital presentations-BETTER
2. Depth and content of budget presentations-MUCH BETTER
3. Electronic delivery-EARLY AND OFTEN
4. Budget meetings-ON TIME AND ON BUDGET
5. Fair TV-AND NOW BACK TO OUR REGULARLY SCHEDULED PROGRAM

THE BAD

1. Length and redundancy of budget presentations-ASKED AND ANSWERED
2. RTM attendance-PLENTY OF GOOD SEATS AVAILABLE
3. Last minute data and budget updates-WE HAVE BREAKING NEWS
4. Still no final budget books-YESTERDAY'S NEWS DELIVERED TODAY
5. Budget spent vs. approved-MUNIS, MUNIS, MUNIS

THE UGLY

1. Not-for-profit process is broken and political-TORCHES, PITCHFORKS AND PERFORMING SEALS
2. Saturday Public Open House-THE DUNK TANK
3. Resistance to E-Delivery-1 LOVE YOU, YOU'RE PERFECT, NOW CHANGE
4. Disconnect between BOF and RTM-YOU SAY TOMATO, I SAY TO-MAH-TO
5. Contingency fund-THAT'S ON A NEED TO KNOW BASIS

OUR DOLLAR'S WORTH OF FREE ADVICE

1. Eliminate Saturday Open House
2. Move NR Capital vote to October, after the workshop

3. Fix NFP process, once and for all. Formal recommendation for discussion.

PROPOSED NOT-FOR-PROFIT PROCESS

1. *First Selectman, as part of the regular budget process, shall recommend one lump sum amount for NFP contributions. One Jump sum, one single line item (like BOE).*
2. *BOS, BOF and RTM would vote on this one Jump sum, but would NOT vote on how that money is to be allocated, or which organizations would receive funding.*
3. *Decisions on allocation would be made by an independent third party; either an appointed committee or a professional charitable foundation, such as the Fairfield County Community Foundation.*
4. *Town would establish formal criteria to be followed; such as eligibility requirements, purpose and use of funds, and performance and financial benchmarks to be met.*
5. *There would be an open application process annually, and all eligible organizations would be **able to apply**.*

Board of Finance- Minutes

Archival Policies

- Prior to February 2010, hard copies of minutes are stored in Finance Department.
- From February 2010 forward, the minutes are saved electronically on Town website as maintained by the Town Clerk Office and hard copies are stored in the Finance Department with the Agenda and all supporting documents send to Board members (including draft minutes).
 - Minutes and Agendas are saved on the Town website (under Agendas/Minutes) as well as all supporting documents (under Board of Finance then Backup docs drop-down).
- Soundview sends DVDs of each meeting to the Finance Department.
- FairTV:
 - All meetings covered by Fair TV are first broadcast for a minimum of 2 weeks on Fair TV Ch 78 or 79.
 - All meetings are then placed on Fair TV Video on Demand site: fairtv.pegcentral.com (within one week of event) and held there for approximately 18 months for viewer access.

- o All content produced by Fair TV is also placed on external hard drives and are owned and maintained by Fair TV Management and held as archival material. These archives are not erased and additional storage is added as capacity of each archive (hard drive) is reached. The Hard drives would remain Town property as all content produced by Fair TV is copyrighted by the Town of Fairfield / Fair TV. All Archives would remain the property of the Town of Fairfield / Fair TV and are kept in the IT Department
- o Currently Fair TV has archived all meetings starting in Jan 2011 with some programming starting in late 2010.

Format Policy per FOI Requirements:

- Date, Time, Location of meeting
- Members Present
- Members Absent
- Also Present
- Who/Time meeting called to order
- Agenda Items listed with details
- Action Taken
 - o Name of person who *moved* the item with description of motion
 - o Name of person who seconded the item
 - o Result of *vote* (pass/fail *vote* count)
 - o If *vote* not unanimous, member names are included for yeas, nays, and abstentions
- Time of adjournment

Other Thoughts:

- If there is a member of the Board who wishes to take a moment of privilege and enter a statement into the record, suggest that the member bring the printed statement, read it at the meeting and hand it to the Recording Secretary. This statement would then be included in the Minutes.
- There is always an option of providing verbatim Minutes as is done by a few entities in Town but that is not the norm for most Boards and Commissions.