

**BOARD OF FINANCE
DRAFT MINUTES OF QUARTERLY REVIEW MEETING
September 30, 2014**

The Quarterly Review Meeting of the Board of Finance was held on Tuesday, September 30, 2014 at 7:30 p.m. in Seminar Room 300, Board of Education Administrative Offices, 501 Kings Highway East, Fairfield, Connecticut.

MEMBERS PRESENT

David Becker, James Brown, Thomas Flynn, Mary LeClerc, Robert Stone, James Walsh (7:42)

MEMBERS ABSENT

Catherine Albin, Ken Brachfeld, Christopher DeWitt

ALSO PRESENT

Robert Mayer, Chief Fiscal Officer, Town of Fairfield
Caitlin Bosse, Controller, Town of Fairfield and Clerk of the Board of Finance
Linda Gardiner, Budget Director, Town of Fairfield
Betsy Brown, Town Clerk, Town of Fairfield
Michael Tetreau, First Selectman, Town of Fairfield
Gary McNamara, Chief of Police, Town of Fairfield
Chris Lyddy, Deputy Chief of Police, Town of Fairfield
Richard Felner, Fire Chief, Town of Fairfield
Brian Vahey, Joint Retirement Board, Town of Fairfield
Joe Michelangelo, Director, Department of Public Works, Town of Fairfield
David Title, Superintendent of Schools, Board of Education, Town of Fairfield
Doreen Munsell, Assistant Superintendent of Schools, Finance, Board of Education

ACTION TAKEN:

None

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

Mrs. Brown led the Pledge of Allegiance.

AGENDA

1. To review the current status of the Town's Pension and OPEB Funds.

PENSION

Mr. Vahey presented this item to the Board and reviewed the reports with the Board. Mr. Vahey reported that these funds are on projection at this point in the year. Mr. Vahey also reported that the Pension Boards had selected an international fixed income manager last week. In response to a question from the Board, Mr. Vahey informed the members of the Board that the Pension Board meets the 4th Wednesday of each month.

Mr. Brown asked Mr. Vahey to inform the BOF of the scheduled date when the Pension Board is meeting with the actuaries.

OPEB

Mr. Vahey stated the results have been good this year and the balance was about \$21M at year end. In response to a question from Mr. Stone, Mr. Vahey informed the Board that the International Stock Fund is invested globally.

2. To review the BOE FY14 year-end financial position.

Dr. Title and Mrs. Munsell presented their report to the Board. Dr. Title informed the Board that the BOE finished the 2013-2014 fiscal year in the black despite some problems during the course of the year. Dr. Title also informed the Board that the BOE had unfrozen some funds so that they did not get behind in the technical and maintenance areas and all transfers were done in line with what was done in prior years. Dr. Title also reported that all custodial positions that were not filled during the year have now been filled.

In response to a question from Mr. Walsh concerning the status of the Internal Service Fund (ISF) at fiscal year-end, Dr. Title stated that he has not received an update from AON in a long time. Dr. Title further stated that the fund was about \$150K better positioned at June 30th than was expected in April of 2014.

Mr. Mayer stated that the year end result looks to be a spend down of only \$400K for a result of +\$750K.

Mr. Walsh asked Dr. Title when he expected to have the final ISF figures ready. Dr. Title reported that the actuaries are working on that right now. Mr. Mayer stated that the ISF figures should be available by the November meeting of the BOF. Mr. Walsh requested to have a full discussion of the ISF at that meeting. Chairman Flynn asked Mr. Mayer to obtain the IBNR numbers as soon as possible. Mr. Walsh also requested that the trend used by AON be the same for the BOE as it is for the Town. Chairman Flynn requested a report from AON for the November BOF meeting.

In response to a request from Chairman Flynn to report on the status of the Food Services changes, Dr. Title reviewed the history of the changes made this past year.

Dr. Title informed the Board that the BOE has started charging the Food Services area for their use of electricity, custodial services, pension costs, etc. due to a large balance in their Reserve Fund that needed to be reduced. Dr. Title reported that the BOE needed to cover expenses that amounted to about \$327K but there was no movement of money from the BOE operating budget to the Food Services. Dr. Title also noted that there are no hard estimates yet on the new food program since that program is only one month into the program. Dr. Title stated that Whitson's has spent \$237K in upgrades so far. Mrs. Munsell reported lots of positive comments so far on the new program and there will be about \$17K put into the Food Services Fund Balance this year. Mrs. Munsell also noted that this figure will need to be renegotiated every year.

PUBLIC COMMENT

Suzanne Miska, 123 Ryegate Road

She stated that she had sent an email to the BOF and the BOE concerning paying for an entity that is a stand-alone operation. She also has concerns about absorbing the costs of the Food Service Program out of the BOE Operating Budget. It is her opinion that this is not the proper way to operate the BOE.

Sue Brand, 267 South Gate Lane, former member of the BOE

She has a big concern with the funds of the BOE Operating Budget being used to pay for Food Service as this is a non-approved appropriation. She further stated that the BOF has a fiduciary responsibility to investigate this situation.

Mr. Becker requested that the BOF get information from the auditor regarding this situation. Mrs. LeClerc informed the Board that she had just discussed this situation with the Sub-Committee and the auditor stated this is a self-supporting fund that can legally be funded by the BOE. Mrs. LeClerc stated that the auditor has been instructed to provide this information in detail to the BOF.

Chairman Flynn then offered a recap of the situation as follows:

Food Services was building a profit for their program but the BOE was informed that could not happen so the BOE began charging Food Services for their electricity, custodial services, etc. in an effort to reduce the balance in the Food Services Fund.

Chairman Flynn further stated that, even though the Town has no line item authority over the BOE budget, the BOF does have a fiduciary responsibility to make sure the auditor's opinion letter is accurate and that what was done was the correct thing to do for the situation.

3. To hear an update of the Paving Issue from the August 5, 2014 meeting

Mr. Michelangelo and Mr. Mayer presented this item to the Board.

Mr. Mayer reported, in response to a question from Chairman Flynn regarding what work has been done to date, that the budget approval process is in the process of being updated but it is not complete at this time. Mr. Mayer reported that Mrs. Bosse is running Crystal Reports frequently in an effort to keep up with what is happening on a regular basis. Mr. Mayer and Mr. Michelangelo reported that they are looking to change the process of Purchase Orders (PO) from the current system where something is purchased and then a PO is created to a new method where the PO is created before any merchandise is ordered thereby reducing the possibility of overspending the approved budgetary item.

Mr. Michelangelo then reviewed the paving process with the Board. Mr. Michelangelo informed the Board that all paving that was planned for this fiscal year has been done and more paving will not be done until after July 1, 2015.

Mr. Walsh thanked the DPW and the Finance Department for a very well done detailed report.

Mrs. LeClerc requested that a report of all Non-recurring and Capital Items be made a standard report to be given to the BOF for each Quarterly Review Meeting. Mrs. LeClerc informed the Board that she has done some research on this with some of our neighboring communities and she has been told that this works well to keep current on expenditures/overages during the course of the year.

Chairman Flynn asked Mr. Brown to have his sub-committee on Reporting review this request and make a report back to the BOF.

4. To review the Town FY14 year-end financial position.

Mr. Mayer presented an overview of the Executive Summary to the Board.

REVENUES

Mrs. Brown reported that conveyances are up better than what was budgeted in her department.

Mrs. Bosse reported that golf revenues are down about \$45K. Mr. Lombardo was asked to send the BOF a P & L Report for the Town golf courses as soon as possible.

Mr. Mayer reported that the Town has received \$384K from the insurance company for loss of revenue at Penfield Pavilion. Mr. Mayer further informed the Board that the \$384K covers losses for the time period from the storm through February 2104; any loss from March 2014 until now is a loss to the Town not covered by insurance. Mr. Mayer also informed the Board that the \$384K was just received in 2014-2015 fiscal year.

EXPENSES

Mr. Mayer reported that probably about 75% of FEMA deficit (\$409K) will be recovered.

Police Chief McNamara reported that no hirings were eliminated due to budget constraints.

Mr. Mayer reported that the 2014-2015 Fire Department Budget was reduced for Holiday Pay based on prior year usages. Fire Chief Felner noted that Homeland Security grants will help offset the costs for training overages should they occur.

Mr. Michelangelo reported that his department had about \$80K more expenses that anticipated due to unexpected problems with buildings and grounds and playing fields maintenance. Mr. Michelangelo also reported that asphalt was over by \$13K in the Capital Asphalt account because more was spent in ancillary items for paving and this situation has now been addressed in the next budget. Mr.

Michelangelo also reported that the mason dump truck was not purchased out of the Capital account.

Chairman Flynn asked Mrs. Bosse if some of the overage could be allocated to the Internal Service Fund. Mrs. Bosse stated that only about \$1M would be allowed to move to the ISF since all revenue is required to go to the General Fund. Mr. Walsh asked if, in regard to the surplus, can some of that money be used for the DPW Capital request for vehicles instead of bonding the purchase of those items?

Mr. Becker noted that \$2.5M in revenue surplus needs to go into the General Fund.

5. To hear a report of the FY15 Budget process from the Budget Sub-Committee.

This report will be heard at a later meeting.

6. To hear a report from the Fund Balance Sub-Committee on 'Fund Balance Policy'.

Mr. Walsh distributed the report from this sub-committee and reviewed it with the Board.

Mr. Walsh informed the Board that currently the Fund Balance is 6/4% and it is projected to be between 7.3% - 7.5%.

Chairman Flynn asked the members of the BOF to review this report and perhaps at the next BOF meeting a discussion could take place so that the Fund Balance Committee (FBC) can meet and develop a policy that could be voted on at the BOF November Monthly Meeting.

Mr. Mayer congratulated the FBC for a well done presentation. Mr. Mayer further informed the Board that the current Fund Balance policy states a 5% - 7% minimum/maximum.

On a motion made by Mr. Brown and seconded by Mr. Stone, the meeting was adjourned at 10:02 p.m.

Respectfully submitted,
Deborah J. Garavel
Recording Secretary