COMBINED BOARD OF SELECTMAN AND BOARD OF FINANCE
PUBLIC BUDGET HEARING
MINUTES OF MEETING
MARCH 1, 2011

Pursuant to the call and written notice, the Public Budget Hearing of the Board of Selectman and the Board of Finance was held on Tuesday, March 1, 2011 at 7:00 pm in the Board of Education Administrative Offices, Seminar Room 300, 501 Kings Highway East, Fairfield, Connecticut.

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

MEMBERS ABSENT
None

ALSO PRESENT
Paul Hiller, Chief Fiscal Officer and Clerk of the Board of Finance
Kenneth Flatto, First Selectman, Town of Fairfield
Sherri Steeneck, Board of Selectmen
James Walsh, Board of Selectmen
Linda Gardiner, Budget Director, Town of Fairfield
Mary Carroll-Mirylees, Director of Human Resources, Town of Fairfield
David Title, Superintendent of Schools, Board of Education, Town of Fairfield
Bonnie McWain, Director of Finance, Board of Education, Town of Fairfield
Margaret Mary Fitzgerald, Asst. Supt, Human Resources, Board of Education, Town of Fairfield
Pam Iacono, Tim Kery, Board of Education, Town of Fairfield

Chairman Flynn called the meeting to order at 7:10 p.m.

Chairman Flynn asked for a moment of silence in memory of Betty Morris, Walter Flynn's mother in law, who died this past week.

SUMMARY BUDGET PRESENTATION BY FIRST SELECTMAN

Mr. Flatto distributed a copy of his presentation to the Board. Mr. Flatto stated that these are difficult times but we have a job to do so it is time to begin.
Mr. Flatto reported that the Grand List is currently up about 1% which is not at the level of past increases of about 2% but growth is evident; development projects will continue to help the Grand List grow; the Town needs to keep staffing levels lean. Mr. Flatto also reported that the annual average tax change is 3.1% and he hopes to be able to maintain that level of increase. Mr. Flatto reported that the BOE expenses average about a 3% increase and that is achievable due to, in his opinion, an ebbing in student population which should translate into less staffing requirements, and other additional efficiencies that can be achieved. Mr. Flatto reported that

Town expenses average 2.8% and benefit reserves are up for the next several years and after that they will moderate.
Mr. Flatto reviewed his 5 year plan with the Board and stated that debt service is fairly consistent with the waterfall models from Phoenix.

Chairman Flynn asked Mr. Hiller to reconcile this current 5 year plan information with the First Selectman's prior 5 year plan presentations and report his finding to the Board.

Mr. Flatto distributed his budget message to the Board and proceeded to review it with the Board. Mr. Flatto stated that he believes the public wants expenditures kept under control but, at the same time, the public does not want services cut. Mr. Flatto stated that he believes the Town should do some of the things that are needed even if it requires a slight tax increase in order to keep the Town in good shape.
Chairman Flynn informed the Board that he had a meeting earlier this afternoon with the First Selectman, the Town Attorney and the Chief Fiscal Officer and it was decided that the BOF will hold a Private Executive Session at the start of this Thursday's Budget Meeting to hear the bargaining issues and other ongoing litigation issues.
Mr. Flatto then reported that about 4.23% of the FY 11-12 budget needs to be raised from taxes. Mr. Flatto informed the Board that approximately 60% of residents will see no increase in taxes due to reassessment changes and about 30% will probably see a tax increase of about 4%.

REVENUE

Mr. Flatto and Mr. Hiller presented this item to the Board.
Mr. Hiller distributed a handout detailing key figures and reviewed that information with the Board. Mr. Hiller stated that there is no lien sale planning for this coming year. Mr. Hiller reported that the Current Year Levy budgeted collection rate is 98.86% and next year's budgeted collection rate is 98.92%. Mr. Hiller noted that last year was the first year the collection rate had dipped below 99% in a long time. Mr. Hiller stated that there is a 10% increase in the Supplemental Motor Vehicle Tax for FY11-12. Mr. Hiller also reported that there is an increase in the Building Permits revenue budget for FY11-12 which, in essence, is bringing it back to near previous year's levels. Mr. Hiller further explained that the increase is based mainly on commercial work not individual homes construction. Both the BOF and the BOS expressed concern over anticipating building permits from the new train station complex in the next fiscal year.

Chairman Flynn requested that Mr. Hiller prepare a list of projects that are currently in process of being completed and also projects that have been completed this year and distribute that information to the Board.

Mr. Hiller noted that the Health Permits section of the revenue has shown significant increases in the past year and those increases are reflected in the FY11-12 budget. Mr. Hiller also informed the Board that the General Education Grant is exactly on target for the Governor's budget. Mr. Hiller noted that many items in the State Grants Other Than Education category are still in flux due to the fact that the State budget is still being negotiated. Mr. Hiller reported that the Town received $60K this year from the line item 01082-41192 (In Lieu of Taxes – Boats) and he also reported that the Town now has the right to assess all boats but this will not appear in the budget until FY12-13. Line item 01001-42312 (Town Clerk – Conveyance Tax) will have no problem meeting this year's budget estimate and the Governor has recommended that this item should be

continued at the current rate. There was some discussion about pending legislation that may require that the RTM votes on local approval for this tax but Mr. Flatto informed the Board that the State may modify this legislation so that local approvals are not required. It was noted that short sales and foreclosures are not subject to conveyance taxes.
Mr. Hiller informed the Board that line item 01084-44001 (Interest & Dividends) will exceed 2010 amounts this year and he should have estimates through the first 8 months available in the next few weeks. Mr. Hiller noted that this item is dependent on cash flow and overnight bank rates and, for the first time in his memory, bank charges are consuming part of this line item.

Chairman Flynn and First Selectman Flatto asked Mr. Brachfeld to work with Mr. Hiller on a schedule of investments and report back to the Board with their report.

Mr. Hiller informed the Board that he will present a report to the Board on accruals during this budget cycle. Mr. Kiley suggested separating fees from interest so that a clearer picture can be derived for both areas. It was noted that credit card items are netted (income-fees) with only the netted figure being reported.

RISK MANAGEMENT

Chairman Flynn informed the Board that the discussion on Contingency will be held at the Thursday, March 3, 2011 meeting.

Mrs. Carroll-Mirylees, Mr. Flatto and Mr. Hiller presented this item to the Board. Mr. Hiller distributed a handout and it was reviewed with the Board.
First Selectman Flatto stated that he advocates moving Worker's Compensation from the Insurance Fund in order to present a more accurate picture of this fund.

Chairman Flynn informed Mr. Flatto that he would like to have the BOF Audit Committee included in discussions with the First Selectman and Mr. Centofanti on what to do with Worker's Compensation.\

Mrs. Carroll-Mirylees informed the Board that there are 10 employees on the BOE side who have cost the Town over $700K this year alone in Worker's Compensation costs.

Chairman Flynn asked Mrs. Carroll-Mirylees and Mr. Hiller to review stop/loss basis for Worker's Compensation and whatever options are available and report back to the BOF with their findings.

Mr. Hiller informed the Board that AON is creating a report including February figures for the Risk Management Fund but he is not sure when that report will be available.

Chairman Flynn requested Mr. Hiller to ask AON for a schedule including January figures for the Risk Management Fund, in hopes that the schedule will be available sooner.

In response to a question from the Board, Mrs. McWain informed the Board that the BOE is using a balance in their reserve fund from FY10-11 to cover medical costs and IBNR costs in FY11-12. Mr. Hiller noted that

IBNR is a one year issue while accruals are a long term issue. The BOE has absorbed $1.1M excess in their reserve account and this is a long term issue for the Internal Fund Balance.
During a lengthy discussion on the impact this action might have on the Town's rating with the rating agencies, Chairman Flynn noted that the fund balance is $2M worse off than last year and next year the fund balance will be $2M more in debt if current practices continue. Mr. Flatto noted that before the Town goes to the Bond Rating Agency for a review in the next year and a half, the Town needs to make some changes in this area. Mr. Flatto noted that this past year was an anomaly with Worker's Compensation.
Mrs. Iacono informed the Board that the BOE never put the Town at risk with the rating agencies. Mrs. Iacono noted that there was a side agreement (memo of understanding) with the First Selectman regarding this item and, in her opinion, that side agreement should be distributed and reviewed by all before insinuations are thrown out. Dr. Title noted that there is no incentive for the BOE to keep more than the IBNR in the reserve account since the Town can take any and all excess at the end of the fiscal year. Mr. Tetreau stated that the rating agencies expressed concern about the balance in the reserve fund as a whole, not as 2 parts, and, in his opinion, both the BOE and the Town need to work together on this item.
Chairman Flynn, in response to Mrs. Iacono, stated that last year he spoke with the members of the BOF and several members of the BOE as well as Mr. Hiller concerning this very issue and, at that time, he strongly suggested that the BOE not take the $1M from the reserve while the Town was trying to build up the reserve fund. Dr. Title informed the BOF that on page 169 of the BOE Budget Book, there is a chart of the state of the reserve fund and Mrs. McWain will distribute an update to the BOF.
Mrs. Iacono stated that she will bring this issue back to the BOE table and the BOE will consider available options.
Chairman Flynn stated that anything impacting the Internal Service Fund needs to be discussed by both sets of CFO's and COO's and get appropriate approvals and then present this to the BOF.
Dr. Title suggested that, in his opinion, a new arrangement should be developed between the Town and the BOE. Dr. Title also noted that, at this time, the BOE still plans to dip into the fund for $1.9M for FY11-12.

The meeting was adjourned at 11:25 p.m.