

**APPROVED/BOARD OF FINANCE MINUTES – REGULAR MEETING
TUESDAY, NOVEMBER 20, 2007**

A regular meeting of the Board of Finance was held on Tuesday, November 20, 2007 in the lower conference room in Town Hall at 7:30 p.m.

Members Present: Marty Heiser, Chairman; Kevin Walsh, Vice Chairman; David Ulmer, Peter Gomez and Robert Cascella

Town Officials: Jay Wahlberg, Controller;

Guests: Vanessa Rossitto & Jenna Goldberg, Blum Shapiro

A G E N D A

1. Approval of Prior Meeting Minutes
2. Tax Collector's Report
3. Blum Shapiro Audit Review
4. Controller's Report
 - a. Financial Review
 - b. 2007 audit status
 - c. Transfers
5. Old Business
 - a. New Business
 - b. Communications & Correspondence
6. Adjournment

Mr. Heiser called the meeting to order at 7:30 p.m. Mr. Heiser introduced Mr. Cascella, former Newtown First Selectman, who is also on the Economic Development Commission and the Republican Town Committee.

TAX COLLECTOR'S REPORT

Tax Collector's Report

Fiscal Year Ending June 30, 2008

	Budget	Q1	Oct.	Y-T-D	% Cltd	Prior YTD as % of Actual
Current Taxes	\$ 102.1	\$ 32.1	\$ 20.4	\$ 52.5	51.42%	49.80%
Supplemental MV	\$ 0.8	-	-	-	0	0
Prior Year Collections	\$ 0.5	\$ 0.2	\$ -	\$ 0.3	52.88%	50.93%
Interest & Lien Fees	\$ 0.3	\$ 0.1	\$ -	\$ 0.1	26.92%	30.18%
As of October 31, 2007	\$ 103.7	\$ 32.4	\$ 20.5	\$ 52.8	50.95%	49.74%

Ms. Berendsen-Hill reported that the good news was the fact that she had no bad news, with the month of October finishing up better than expected. She also reported that thirty new (out of 73 total) Toll Brothers condominiums have been sold.

Mr. Gomez asked when the conveyance tax is scheduled to sunset and Ms. Berendsen-Hill said she did not know.

[The current State Statute (CGS Section 12-494) was amended in June, 2007, by P.A. 07-1 during a special session of the State Legislature to change the sunset date from July 1, 2007 to July 1, 2008.]

BLUM SHAPIRO AUDIT REVIEW

Ms. Rossitto presented each BOF member with a draft audit report, saying that she did not think anything material is going to change when the report is put in final form. This year's auditor's opinion is an unqualified opinion. Ms. Rossitto explained that the opinion letter was not dated yet because of a new Standard of Auditing out that has changed the events that need to occur before we date our audit opinion, so it won't be dated until it goes through a final review.

The BOF reviewed the report with Ms. Rossitto and Ms. Goldberg.

The financial statements which include all the assets and liabilities of the Town show all the funds (General Fund, Special Revenue Funds, etc.) aggregated together.

Total Town net assets are \$55MM, a portion of which is restricted for commitments for capital projects, plus some small amounts that are restricted for a couple of permanent funds, e.g. debt service. Unrestricted net assets are currently \$24.3MM. Net assets increased \$7.2MM from last year.

Mr. Heiser asked about the library's unrestricted assets of more than \$10MM. Ms. Rossitto confirmed Mr. Heiser's reading of the library's assets and added that Blum Shapiro does a separate audit for the library, which she will make available to the BOF in pdf format.

Mr. Gomez asked if that amount included the library's endowments, and Ms. Rossitto responded that: "it's all of their assets and liabilities" and recommended that the BOF review the Library's audit report for specifics. Mr. Gomez noted that the Library's endowment last year at this same time was about \$6MM.

On page 16 (Balance Sheet) Ms. Rossitto called the Board's attention to the General Fund column, saying the fund balance is actually \$1MM even, designated for subsequent years' budget so the unreserved fund balance is going to be reduced by \$1MM, so you need \$1MM to balance the '08 budget. Mr. Cascella noted that, to the extent the Town runs a surplus, it does not use that \$1MM.

Mr. Ulmer asked about encumbrances and Ms. Rossitto responded: "We did not have any issues this year".

Following up on the encumbrances' issue, Mr. Heiser said the BOF met with Board of Education Chairman, Keith Miller and discussed the BOE's \$727k of encumbrances in place on June 30, 2007. Ms. Rossitto repeated that the auditors found no problems with any (Town's or BOE's) encumbrances.

Ms. Rossitto noted there are sixteen bonded projects funded by a bond anticipation note which is a bit of a change from last year. She informed the BOF that the GFOA organization in Chicago did not like the way the bond anticipation notes were recorded as long-term debts, so Blum Shapiro changed the way it reported that (page 16 of the audit report). Mr. Wahlberg added that bond anticipation notes are not recognized as financing sources under current legislation, and although the Town has the cash "in house" it has to be shown as a liability.

On Page 20 Ms. Rossitto pointed out the statement of original budget compared to actual final budget, noting the total of the final budget column is a negative \$40k because that amount was appropriated from Fund Balance for the Economic Development Commission.

Ms. Rossitto noted that revenues, on a budgetary basis were \$467k greater than budget, and expenses were \$431k less than the budget.

Mr. Wahlberg noted that the Board of Education has closed out its Health Services Fund, \$450k (offset against its current health insurance) went to the BOE and the remaining \$95k still in the fund when it was closed out came back to the General Fund. The BOE budgeted taking the \$450k out of the Health Services Fund, to cover the current year's insurance premiums.

Mr. Cascella: "but then in this coming budget cycle, where's that \$450k going to come from?"

Mr. Wahlberg: "It has to come from General Fund to make up that difference. It's a one-time benefit."

Mr. Cascella noted the \$450k represented a third of a mill.

Mr. Gomez asked: "If the new accounting pronouncements impacting disclosures of post-retirement costs are all impacting statements, point out to us where they would be or where they may likely be in the next year."

Ms. Rossitto: "Your timing is actually very good because it's actually on page 25 of the report where there are two columns: 1. Pension Trust Fund (with assets of \$56MM) and 2. OPEB (other post-employment benefits, basically health care) should the Town of Ridgefield set up a trust fund for OPEB."

Mr. Ulmer stated that it was unknown to the BOF if the OPEB covered school employees and asked Ms. Rossitto if she could shed any light on that.

Ms. Rossitto responded that she did not know what the benefits for the Town are, but what has happened in other Towns is the retirees of the BOE are on the same plan as the Town and, even though they are not paying anything into it, there's an implicit rate subsidy because they are actually getting benefits at a lower rate than they would if they just went and insured themselves on their own. So there is some cost to the Board for some towns, even though they are really not contributing to the plan. Mr. Rossitto suggested that that is something the actuary needs to look at.

Mr. Wahlberg said he was told that there would be exposure on the Board of Education, but he did not know to what degree. The Town has exposure on the Police Department, but not the Fire Department.

Mr. Gomez asked if it was required to show pension liabilities on the same page with the pension assets, and Ms. Rossitto responded that it was not, the net asset amount gets disclosed in the accrual basis statements.

Mr. Walsh asked about the various funds and Mr. Wahlberg referred to the list of funds on page 66 of the report which the Town has care and custody of, but which are actually controlled by various committees. Ms. Rossitto said the funds are not assets of the Town, it's just a fiduciary relationship. Mr. Walsh then asked where the actual funds (over \$2MM) are and Mr. Wahlberg responded that the Town Treasurer controls the passbooks and investments. Mr. Walsh noted that these funds are not reported on the Treasurer's regular reports, and Mr. Wahlberg confirmed that the various funds are reported separately. Mr. Heiser asked about the Student Activities Fund. Mr. Wahlberg said the interest from the Student Activities Fund (comes from all the schools, but the High School's fund is by far the largest) goes to the General Fund.

Mr. Walsh asked Ms. Rossitto if there were any way for these funds to be brought under the management of the Pension Commission to which she responded that the funds are other peoples' money and the Town is just administering them, so it's not really a Town activity to manage these funds.

Mr. Ulmer asked if the monthly cash balance report included these funds, to which Mr. Wahlberg responded: "No".

Ms. Rossitto noted the net appreciation in pension fund assets of \$8.7MM, and Mr. Heiser asked Ms. Rossitto if she thought the Pension Fund was over funded, under funded or properly funded. Ms. Rossitto referred the BOF to page 47 of the audit report that showed the Town was not contributing the total amount recommended by the Pension Commission. Mr. Wahlberg referred the BOF to page 50 of the audit report which showed that the Pension Fund was slightly better than 90% funded.

Mr. Wahlberg said: "If we were to close it out today, we would walk away with money."

Mr. Walsh responded: "That's today.... but it's underfunded by about \$1MM."

Mr. Gomez asked if there were any major changes in assumptions or estimates, and Ms. Rossitto said that there were not.

When the discussion turned to the Management Letter, Ms. Rossitto said she would have it ready in December. Mr. Gomez asked if there were any carryovers or repeats in the current Management Letter from last year and Ms. Rossitto said that there were not. She said the auditors looked at the Tax Collector's and Tax Assessor's offices more closely and the Management Letter had a couple of observations resulting from that closer scrutiny.

Ms. Rossitto spoke about the two new auditing standards SAS 112 and SAS 114. She informed the BOF that SAS 112 is effective this fiscal year. She noted that SAS 112 raises the bar for reportable conditions. The term "reportable condition" has been replaced with "significant deficiencies". Things that might not have qualified as "reportable conditions" in the past, might now have to be reported as "significant deficiencies". SAS 114 requires a planning meeting prior to the audit to address particular issues, something which Ridgefield already does.

Mr. Gomez asked how the level of deficiency is determined. Ms. Rossitto said the level of deficiency is determined by the auditors' judgment within the parameters of SAS 112.

Ms. Rossitto said that the auditors are now required to do more stringent documentation of their clients' internal controls and actually link their findings to audit procedures. It's a lot more in depth with much more assessment of where the risks could lie and, if we have a risk with no mitigating factor or control, it needs to be reported. We are telling our clients that our fee might increase by 5% or 10% as a result.

Mr. Gomez asked Ms. Rossitto if there could be some co-ordination between the internal auditor and Blum Shapiro.

Ms. Rossitto responded that there could be a lot of co-ordination. If the internal auditor could help Blum Shapiro do this, or if they could do this because management is supposed to document its internal controls and assess risks, but a lot of clients are not doing that, so Blum Shapiro is doing it for them. If Kostin Ruffkess wanted to take this process on, Blum Shapiro could use whatever documentation it provides.

Mr. Gomez said, that the BOF has asked Kostin Ruffkess to look at internal controls, but also to do an operational review to see if there are synergies or savings that ought to be brought to management's attention, e. g. centralizing purchasing activities. Mr. Gomez said he would be hesitant to change the scope of the internal audit at this point in time, but that the BOF should discuss SAS 112 with the BOS.

CONTROLLER'S REPORT

Memorandum #200808

WHEREAS, The Board of Finance was appropriated funds for an internal auditor in fiscal year 2007 which lapsed at June 30, 2007 because of the request for proposal process.

WHEREAS, said funds need to be re-approved for the authorization of the First Selectman to sign the agreement for professional service of Kostin, Ruffkess & Company as recommended by the Board of Finance.

THEREFORE, the Board of Finance is requesting approval for the re-approval in expense appropriation with a corresponding increase in revenue estimate.

INCREASE:

10020-52407	PROFESSIONAL SERVICE	\$50,000
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INCREASE:

10907-44900	MISCELLANEOUS REVENUE	\$50,000
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A motion was made by Mr. Heiser and seconded by Mr. Walsh to approve Memorandum #200808. Vote: 5-0. Motion APPROVED.

Mr. Wahlberg then turned the discussion to the newly-formed alliance of towns in Fairfield County to fight the FAA's proposed changes in flight paths in and out of the New York/New Jersey airports that

would allegedly put planes lower over local towns, increasing noise levels and affecting the quality of life. The alliance was initiated by the First Selectwoman of New Canaan, who expects New Canaan to be one of the towns most adversely affected by the change. The cost to Ridgefield could be as high as \$75k. The Board of Selectmen has voted to join the alliance, but has not determined how it will be funded.

Mr. Ulmer expressed his opinion saying: "the good news is that a lot of people are suing them, the bad news is that nobody will win, and essentially, the reason for that is that there is a huge percentage of delays in this country that emanate out of New York and the FAA is under intense political pressure to fix those delays and this is part of that fix."

Mr. Heiser asked what it would mean to him sitting in his back yard on a summer day.

Mr. Ulmer said the News Times' website had a link to a site with comprehensive information about the proposed changes, and which reported that the average decibel level will go from where it is now, between 35 and 40, up to between 45 and 50. He called the alliance's agenda NIMBYism at its best.

Mr. Wahlberg alerted the BOF that the Town will be in conference with the rating agencies next week. S & P on Monday, Moody's on Tuesday and Fitch on Wednesday. The Town will go for the bond bid on December 5, 2007. The Town should have the funds by December 13th and will pay off the bond anticipation note on December 14, 2007.

Mr. Wahlberg reported that the Town has locked in its price for oil at \$2.50 per gallon through January. The schools have yet to lock in a price. Mr. Walsh asked who makes the call for the schools and Mr. Wahlberg said the purchasing agent in conjunction with the business manager and the Board of Education.

Mr. Gomez asked where it stood with Kostin Ruffkess and Mr. Wahlberg said he expected Joe Centofanti to start the work in January when he finishes up his audit work.

Mr. Gomez asked about the BOE's projection of a \$500k shortfall in the amount it budgeted for energy costs. He expressed his concern that the BOE would be negative on both electricity and fuel oil costs and asked whose responsibility it was. Mr. Wahlberg opined that they were receiving advice from somewhere and he would call Dan Carlin and find out about it. Mr. Walsh said he would like to know what the process at the BOE is.

Mr. Ulmer asked if the transfers approved by the BOF, e.g. to the Boys & Girls Club, should appear in the revised budget and Mr. Wahlberg said he hasn't done anything on that yet. He said the Homeless came out of Contingency.(now at \$43,475.00) Mr. Ulmer asked where it went in to. Mr. Wahlberg said he would have to get back to him on that.

Mr. Ulmer noted that the Tree Warden's tree disposal budget was already 97% expended and observed that he has seen Mr. Pinchback at the Recreation Center cutting down what appear to be perfectly good trees.

Mr. Gomez said he would like to see the costs of fringe benefits broken down by department. After some discussion among the Board members who agreed that this information would be useful, Mr. Wahlberg said that, whereas it would take him some time to set up, he could make this breakdown available.

The Board discussed the three-year budget plan. Mr. Walhberg said it has only changed in two areas: 1) the debt service, and 2) the ECS grant which was \$600k more than what was estimated.

Mr. Ulmer noted that the move to interest only is a significant departure from what we've been doing with all of the rest of our bonds.

Mr. Cascella asked why the Town was planning on paying only interest for the first year.

Mr. Wahlberg said it was being done to eliminate spikes and make the payoff amounts consistent over a period of time.

Mr. Ulmer said that the cost of doing that (interest only in the first year) over twenty-years is significantly greater and he has a problem with that. He said: "It concerns me dramatically... it's a change in philosophy and it's a considerable expense to the town."

Mr. Cascella asked who makes the decision regarding the amortization of the bonds.

Mr. Walhberg answered: "The Treasurer and the First Selectman. They are the ones given the power to size the issue and go forward with it, according to the Charter."

Mr. Wahlberg said he has two other amortization schedules upstairs that he could show the board that would define the actual added expense of paying interest only in the first year of the bond.

Mr. Ulmer said he would like to see the difference in the total interest paid by the Town, calling it "short-term gain for long-term pain".

The BOF agreed that it would like to invite the Treasurer to the Board's December meeting to discuss the "interest only" strategy and the Treasurer's Report presentation.

REGULAR BOF MEETING DATES FOR 2008

Regular Meetings: Tuesdays: January 15, 2008; February 19, 2008; March 18, 2008; May 20, 2008; June 17, 2008; July 15, 2008; September 16, 2008; October 21, 2008; November 18, 2008 and December 16, 2008.

Annual Budget Public Hearing: Monday, March 31, 2008

Budget Deliberations: Tuesday, April 1st; Wednesday, April 2nd; Thursday, April 3rd; Wednesday, April 9th; Thursday, April 10th; Monday, April 14th; Tuesday, April 15th; Wednesday, April 16th; Thursday, April 17th.

A motion was made by Mr. Cascella and seconded by Mr. Hesier to approve and submit to the Town Clerk the meeting schedule as presented. Vote: 5-0. Motion **APPROVED**.

The BOF agreed to place the election of officers on the agenda for the December meeting.

ADJOURNMENT

A motion was made by Mr. Gomez and seconded by Mr. Ulmer to adjourn the meeting at 9:55 p.m. Vote 5-0. **Motion APPROVED.**

Respectfully submitted,
Karen Rodgers, Recording Secretary