

**APPROVED/BOARD OF FINANCE MINUTES – REGULAR MEETING
TUESDAY, MARCH 15, 2011**

A regular meeting of the Board of Finance was held on Tuesday, March 15, 2011 in the large conference room in Town Hall at 7:30 p.m.

Members Present: Peter Gomez, Chairman; Marty Heiser; David Ulmer, and Margaret Price Sims
Members Absent: Jill Bornstein, Vice Chairman;
Town Officials: Rudy Marconi, First Selectman; Kevin Redmond, Controller; Paul Hendrickson;
BOE Business Manager; Deborah Low, Supt. Of Schools;

A G E N D A

1. Executive Session – Pending Claims and Litigation for Special Education
2. BOE Financial Review – Paul Hendrickson
3. Assessor's Presentation of Grand List – Al Garzi
4. Treasurer's Report
5. Tax Collector's Report – Jane Berendsen-Hill
6. Report on Roads – Peter Hill
7. Snow Report / FEMA Update – Kevin Redmond
8. Town Financial Review – Kevin Redmond
9. Robinson & Cole Guidance Related to Use of Unexpended Proceeds
10. Ordering/Calendar of BOF Deliberation Meetings
- ~~11. Approval of Prior Meeting Minutes~~
12. General
 - a. Old Business
 - b. New Business
 - c. Communications & Correspondence
9. Adjournment

Mr. Gomez called the meeting to order at 7:00 p.m.

EXECUTIVE SESSION

Mr. Ulmer made and Mr. Gomez seconded a motion to go into executive session at 7:07 p.m.
Vote: 4-0. Motion **APPROVED**.

Present during executive session: Mr. Gomez; Mr. Ulmer; Mr. Heiser; Ms. Sims; Marsha Meses; Karen Baresi, Head of Special Education; Austin Drukker; Chairman, BOE; and Deborah Low, Supt. Of Schools.

Ms. Sims made and Mr. Gomez seconded a motion come out of executive session at 7:55 p.m.
Vote: 4-0. Motion **APPROVED**.
No action was taken.

Mr. Gomez called the regular meeting of the Board of Finance to order at 8:10 p.m.

Ms. Sims made and Mr. Heiser seconded a motion to change the regular meeting's agenda by moving Robinson & Cole to the position immediately after the BOE's Financial Review and add a discussion of a cell tower by Mr. Marconi to after the Assessor's Presentation.

Vote: 4-0. Motion **APPROVED**.

BOE FINANCIAL REVIEW

Please see attached Memorandum of February 25, 2011 and the March 15, 2011 Special Education Update.

Mr. Gomez asked the amount of encumbrances from year end and Mr. Hendrickson responded about \$200k/\$180k of which \$65k could go to Johnson Controls for the energy audit. Mr. Gomez said there should easily be \$100k in encumbrances remaining.

The discussion moved on the special education, discussing the amounts in the attached handout which indicate there is the potential for a budget overrun of \pm \$611k. Ms. Low explained that this has been an unusual year and the BOE did not build its usual buffer into its budget. "What we did not do and what we should have done, was to increase the ECR expectation and did not increase our expense expectation. Before Ms. Low assumed the Superintendent's position, ECR was **never** shown in the operating budget. It is a re-imbusement, not a grant. Ms. Baresi: "This is the lowest amount of ECR money we have received in years." Ms. Low reminded the BOF that there is a "legal umbrella" over special education.

Mr. Gomez asked that, as of today's date, what the BOE's prediction was for a surplus, and Mr. Hendrickson responded that there are too many unknowns at this time to make such a prediction and, whereas February looks better than January did, "we are not out of the woods yet".

TREASURER'S REPORT

Investments as of February 28, 2011

MBIA	\$	5.13	
Ridgefield Bank	\$	980,015.15	0.23
STIF	\$	1,344,975.13	0.24
Union Savings	\$	2,000,460.27	0.60
Union Savings	\$	11,414,432.67	0.55
Wachovia	\$	3,173,999.85	0.25
	\$	18,913,888.20	
YTD Interest Earned as of 2/28/11			
Merrill Lynch - BOA	\$	1,440.65	
Ridgefield Bank	\$	10,195.81	
STIF	\$	532.10	
Union Savings	\$	30,962.65	
Wachovia	\$	1,268.19	
	\$	44,399.40	

ROBINSON & COLE GUIDANCE RELATED TO USE OF UNEXPENDED PROCEEDS

Mr. Redmond defined the issue: We are getting reimbursement from the State for the school projects those projects are currently in a deficit position and the deficit for the bundle projects is about \$593k. When we look at other school projects, at the time we looked at them there was about \$90k in surplus. There is probably more now, but they've closed out other projects so that will probably go up a little bit once I analyze it, but the numbers that we are working with are \$593k deficit and then a \$90k in other school projects, non-bundle related that were in a surplus. So, lets say there is a net \$500k issue, we got good news about the money coming in from the state being greater than that and the question is what do we do with it and what's the mechanism for accounting for it.

Mr. Ulmer, we really should not be mixing the money. Bundle projects are the bundle projects and all these other projects were approved at some other time. The point being they are independent projects.

Mr.D'Ercole: "Well, they are in terms of the appropriation for those projects. You cannot exceed an appropriation. If you have extra money from the State of Connecticut you have to increase the appropriation as a legislative matter or do something that has already been approved." I'm just here to discuss the generalities of what to do with the \$300k which derives from the bundled projects of \$90MM. Mr. Redmond: "The \$300k is derived from us getting a check for \$800k from the State. We are currently sitting with a deficit of \$593k. My thought would be that that \$800k would first have to go to satisfy the deficit for those bundled projects.

Mr. D'Ercole: "In fact you are required to use it to pay for expenses related to the projects for which you received the grant, but we're going to assume that all of the grant money is going to be expended for those projects. Fundable or not we are having to construct that we have unexpended bond proceeds, otherwise we are going to have to return the money. That's why we are talking about unexpended bond proceeds. It makes no difference, you had an appropriation of \$90MM, you issued bonds in whatever amount is was and you received State grants in whatever amount, 2/3's, 1/3rd, and so it's not unusual, especially with a project of that magnitude to end up with unexpended bond proceeds. Because when you issue the bonds and they are issued from time to time as you probably know, you make your best estimate at the time about what you are going to receive from the State of CT. It seems to me this was a pretty good estimate, \$300k out of \$90MM."

Mr. Ulmer: "The actual numbers are about \$109MM that was approved, but we bonded about \$85MM of that in two separate bond issues."

Mr. D'Ercole: "The reason I say that it is not unusual is that it takes so long for the State to close out these projects. We hardly ever wait for the actual amount to come in, it's almost always an estimate. Especially because we didn't wait to issue the bonds until the very end either."

Mr. Gomez: "So we basically have two expert opinions we are seeking as to how we properly account for that money, expert bond counsel and the public accountants."

Mr. D'Ercole's March 8, 2011 letter to First Selectman, Rudy Marconi gave the following two options regarding the use of unexpended bond proceeds for school projects previously bonded: 1) spend the excess proceeds on the interest portion of debt service payable on any issued and outstanding bonds of the Town or; 2) transfer the unexpended bond proceeds to another currently-authorized capital project, or to a new capital project, once the new project has been approved by the Town Meeting.

Mr. D'Ercole: With respect to this first option, the mechanics, if you will, of doing that are that you take that into your budget and, as Marty indicated, it drops to the bottom line in fund balance and you have to consider that that amount was used to pay for the interest portion of the debt service in the budget and

the fund balance derives from the fact that you budgeted too much for the interest portion. The other options are to use it for an authorized capital project in which case that's another ministerial determination, administrative on the part of the BOS and the BOF because you have a currently-authorized project where the legislative has determined to spend let's just say \$300k for something capital and they have authorized \$300k in bonds for that purpose. The discretion lies in the administration, in the BOS, to determine how much of those bonds to issue. If you take this \$300k and apply it to that project, you don't issue any of the bonds.

Mr. Ulmer: "Two things: we have already paid the interest in this year's budget."

Mr. D'Ercole: "No, the interest is accumulating daily, you still have three months left to use up \$300k."

Mr. Ulmer: "From a budgeting perspective we've already made a \$5MM cash outlay."

Mr.D'Ercole: "That's why I said you have, in effect, over budgeted by \$300k. It's all an internal transfer, it goes into the general fund and you have many revenue sources in the general fund and this is just another revenue source, that was unexpected. It does not require a town meeting, because the interest has already been approved by the town meeting. The appropriation to pay x plus y has already been approved by the town meeting, the fact that you have another source or revenue to cover it means that you, if you had known at the time that you set the mill rate, would have set it for \$300k less."

Mr.Gomez: On the matter of the second use that would be a future capital project, that would require a town meeting?

Mr.D'Ercole: If it's a new project, it goes through the Town meeting like anything else and what you would say there is we are going to appropriate \$300k for a new capital need, and instead of authorizing \$300k in bonds to meet that appropriation, you would authorize that the \$300k of unexpended bond proceeds be applied to meet that appropriation as a source of funding. You could create a new project with a town meeting at any time of the year, or could be next year as long as you expend it in a reasonable time (6 months).

In response to a query from Peter Gomez about using the money to pay salaries, Mr. D'Ercole said you are not prohibited by anything in the resolution but by virtue of the tax laws which apply to the issuance of tax-exempt bonds, you are precluded because you cannot use it for working capital.

And finally, you can use it for another capital project, you won't find this written in the law anywhere in CT or anywhere in the authorizing documents, but the tax laws would control all three of these options in effect because you need to use it for capital needs. If you want to start really splitting hairs, saying we want to use it for police cars, you won't find that stricture anywhere or that level of detail but I would say as a matter of policy if these were 20 year bonds that were issued, you should use it for another 20-year project.

Mr. Heiser: This money should go right back to the taxpayers.

Mr. D'Ercole: That's the first option.

Mr. Heiser: We have incredibly tight budgets on the Town side and the BOE side, thank heavens we have \$300k that has fallen in our lap. Give it back to the taxpayers.

Mr. Gomez: I'm not saying that I disagree with you, but you're saying administratively it will be a decision of the BOS as policy-setters to decide how to use it. If they were to say we have a capital project that

has 15/20 year life, let's use the \$300k for that and it comes to the BOF and we say we feel paying down the interest is more important.

Mr. Heiser: In a way we are paying down the interest because we are putting back in that section that has already been funded it then goes to the bottom line.

Mr. D'Ercole. You are right. As a theoretical matter that's the way you have to consider it.

Mr. Heiser: Last year we had \$700k that came to us in new taxes. We just had the BOE up here telling us they are not going to have a surplus this year. There's no good news out there as far as new revenues coming except from my new best friend in the world, Frank.

Mr. D'Ercole to Mr. Gomez: as to your hypothetical, you would have to duke it out with the BOS. That's a policy matter.

Mr. Redmond: There are other accounts that are in surplus and deficit, not just the school projects. So we are going to have to look at closing those out at some point to. The issue is not that we are getting money from the State, it's just that they (other capital project accounts) are done. There is one in particular that I think we need to address that is an even debit of \$360k related to some transaction from probably ten years ago. I don't know how that goes away other than if we can take those other projects that are sitting with a surplus and net them out. I just wanted to let you know that there is another piece to this.

Mr. Gomez: You have put us on notice, that's fair.

ASSESSOR'S PRESENTATION OF GRAND LIST

Mr. Garzi came with the following listing showing the percentage of change in grand lists from 2009 to 2010, Ridgefield having the 6th largest grand list increase with \$36MM, or .70%

Bethel	0.75%	Newtown	0.65%
Brookfield	0.89%	Norwalk	0.55%
Danbury	-0.17%	Redding	-0.15%
Darien	1.00%	Ridgefield	0.70%
Easton	0.25%	Shelton	0.86%
Fairfield	-10.00%	Stamford	-0.09%
Greenwich	-11.60%	Trumbull	1.82%
Monroe	0.18%	Weston	0.42%
New Canaan	0.22%	Westport	-12.40%
New Fairfield	0.30%	Wilton	0.46%
Bold = Revaluation			

Mr. Marconi said this year the State would pay towns 63% of the manufacturer's exemption. Governor Malloy's budget for next year eliminates the manufacturer's exemption completely.

Mr. Garzi told the BOF that there was a very big increase in the number of new cars added to the grand list, adding \$9.7MM to the grand list, with real estate increasing \$30MM, personal property decreasing \$3.9MM and machinery increasing \$2.4MM.

Mr. Garzi said there is about \$3.5MM annually in revenue for abatements; \$1.7MM in deferments (representing about 65 households); and \$1.5MM in town tax credits (about 1,500 households)

CELL TOWER – First Selectman Rudy Marconi and Dr. Oko, Conservation Commission

The agreement with the Conservation Commission is that the land is being sold for \$1MM with \$650k coming from the Conservation Commission for open space, protecting a very important ridge line, and \$350k coming from the Town. Additional expenses include title insurance; an appraisal and an environmental survey. Dr. Oko opined that if a cell tower is not cited on the property, four houses will be. By putting a cell tower on the property, “you get one funny tree”.

Ms. Sims asked what revenue would be realized from the cell tower. Mr. Marconi responded that it could be two years before any revenue is realized, but it would be roughly \$100k per year which goes into the general fund. Dr. Oko said the Conservation Commission should receive some of that revenue because it is paying for part of the property.

Mr. Marconi said, if he were to receive BOF approval for the project tonight, he would schedule a public hearing and a town meeting.

Mr. Gomez asked if there were a time limit on the offer to sell and Mr. Oko replied, three months. The property is currently owned by a three-man partnership. None of the three live in Ridgefield. Mr. Gomez said he would like to have a special meeting to approve the purchase when Ms. Bornstein is available.

Mr. Heiser: “What am I missing, because this seems like a good deal?”

TAX COLLECTOR’S REPORT

Fiscal Year Ending 6/30/2011								Prior YTD
TAX COLLECTOR’S REPORT (\$ in millions)							%	as %
	BUDGE T	Q1	Q2	Janua ry	Feb.	YTD	Collect ed	of Actual
Current Taxes	\$ 109.7	\$ 33.1	\$ 28.4	\$ 19.7	\$ 2.1	\$ 83.3	75.90 %	76.43%
Supplemental MV	\$ 0.6	\$ -	\$ 0.2	\$ 0.3	\$ -	\$ 0.5	90.09 %	95.85%
Prior Year Clctns	\$ 0.6	\$ 0.2	\$ 0.3	\$ 0.1	\$ 0.1	\$ 0.6	112.40 %	70.64%
Int. & Lien Fees	\$ 0.4	\$ 0.1	\$ 0.1	\$ -	\$ 0.1	\$ 0.3	74.85 %	58.37%
As of 2/28/11	\$ 111.3	\$ 33.4	\$ 29.1	\$ 20.1	\$ 2.2	\$ 84.7	76.16 %	76.33%

Ms. Berendsen-Hill noted a “tiny slippage” in tax collections most of which is due to timing. Mr. Heiser asked if there were any increase in the number of foreclosure actions brought against Ridgefield home owners, and Ms. Berendsen-Hill responded that there were not.

REPORT ON ROADS – Peter Hill

Mr. Ulmer commented on how the snowy winter had negatively affected the condition of the roads, and Mr. Hill responded that the last two rain storms had been worse than the winter snow storms. He said his department is working on the roads right now, but he has to wait until the asphalt plants open which will not happen until the weather is a little warmer. This led to a discussion of the Highway Department's capital request for an asphalt recycler (\$55k) which would reduce the department's operating costs and allow it to do worthwhile road repair before the asphalt plants open.

Mr. Gomez asked if the Highway Department would need to build a shed to store the asphalt recycler, and Mr. Hill responded that it would not. Mr. Gomez asked Mr. Hill to prioritize his capital requests. Mr. Marconi responded that they could do that, given a little time.

Mr. Heiser asked what was in the budget for new roads for next year. Mr. Hill said \$1.2MM which equates to 7 miles of roads.

SNOW REPORT/FEMA UPDATE

Mr. Redmond informed the BOF that snow removal costs currently exceeded budget by \$40,731. The Town will receive FEMA money, probably \pm \$81k which will result in revenue equaling expenditures, i.e. flat.

TOWN FINANCIAL REVIEW

Mr. Redmond said there is a potential for a short fall in the manufacturer's exemption of \$277k, but there might be legislative relief. On the expense side, certain open positions have been "frozen" together with other actions which will result in about \$300k of savings.

The potential for revenue from Boehringer Ingelheim's building projects was discussed.

Mr. Gomez asked about the Fire Department's overtime budget and Mr. Redmond responded that it worsened in February but he is optimistic that "we will be okay with the entire budget". The number and nature of firemen's disabilities was discussed.

In response to a question from Ms. Sims, Mr. Redmond said the MIRMA payment would be sent out at the end of the month.

APPROVAL OF PRIOR MEETINGS' MINUTES

Ms. Sims made and Mr. Heiser seconded a motion to approve the Board of Finance minutes, with changes, for the January 18, 2011 meeting.

Vote: 4-0. Motion **APPROVED**.

Mr. Ulmer made and Ms. Sims seconded a motion to approve the Board of Finance minutes for the February 15, 2011 meeting.

Vote: 4-0. Motion **APPROVED**.

ORDERING/CALENDARING OF BOF DELIBERATION MEETINGS

The BOF discussed which Town departments would be invited to which budget deliberation meetings.

The BOF decided to have a cell-tower conference call on Monday, March 31, 2011 at 11:30 a.m.

The schedule for regular BOF meetings for 2011 is attached hereto.

ADJOURNMENT

A motion was made by Mr. Ulmer and seconded by Ms. Sims to adjourn the meeting at 11:03 p.m.
Vote 4-0. **Motion APPROVED**.

Respectfully submitted,
Karen Rodgers, Recording Secretary

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3/15/11

Via E-Mail

March 8, 2011

Rudolph P. Marconi
First Selectman
Town of Ridgefield
400 Main Street
Ridgefield, CT 06877

Re: Use of Unexpended Proceeds

Dear Mr. Marconi:

It is our understanding that the Town received school grants from the State of Connecticut in excess of the anticipated amount and that the Town now has excess bond proceeds in the amount of approximately \$300,000, which were issued for school projects.

The Town has the following options regarding the use of unexpended bond proceeds for school projects previously bonded: (i) spend the excess proceeds on the interest portion of debt service payable on any issued and outstanding bonds of the Town or (ii) transfer the unexpended bond proceeds to another currently authorized capital project, or to a new capital project, once the new project has been approved by the Town Meeting. If the Town shall choose the option to use the proceeds for interest on outstanding bonds, the proceeds would be deposited into the general fund as another source of revenue and become part of the year-end fund balance. Such portion of fund balance would then be applied to the budget line item for interest in the budget for the next succeeding fiscal year. The appropriation of excess proceeds for payment of debt service shall be approved as part of the ordinary budget process.

Please contact me if I can provide any further information.

Very truly yours,

/s/ S. Frank D'Ercole

S. Frank D'Ercole

cc: David L. Grogins, Town Attorney
Kevin Redmond, Finance Director
Susan Kreutzer
Sandra D. Dawson