

**APPROVED BOARD OF FINANCE MINUTES– REGULAR MEETING
TUESDAY, MAY 19, 2009**

A regular meeting of the Board of Finance was held on Tuesday, May 19, 2009 in the conference room in Town Hall at 7:30 p.m.

Members Present: Marty Heiser, Chairman; David Ulmer; and Robert Cascella
Members Absent: Peter Gomez, Vice Chairman and Kevin Walsh
Town Officials: Kevin Redmond, Finance Director; John Mannuzza, Assist. Controller;
Jane Berendsen-Hill, Tax Collector
Pension Comm. David Campbell; Walter “Ted” Seibert; William Whelan; Arthur Aaronson
Christofer Christiansen

A G E N D A

1. Approval of Prior Meeting Minutes
2. Tax Collector’s Report
3. Treasurer’s Report
4. Controllers Report:
 - a. April 2009 Financials
 - b. 2009 10 + 2 Forecast
 - c. Status of Three-Year Plan
5. FYE 2010 Budget – Analysis of Fully-Loaded Personnel Costs
6. Pension Discussion – Dave Campbell
7. BlumShapiro Engagement Letter
8. Communications & Correspondence
 - a. Old Business
 - b. New Business
9. Adjournment

Mr. Heiser called the meeting to order at 7:30 p.m.

APPROVAL OF PRIOR MEETING MINUTES

Postponed until the next regular meeting of the Board of Finance.

TAX COLLECTOR’S REPORT

Mr. Heiser asked the Finance Director and the Tax Collector about the number of real estate foreclosures in Ridgefield. Mr. Redmond said there were a lot of short sales (where the mortgage bank agrees to a sale

that results in the receipt of less than the total owed on the mortgage) but not a lot of foreclosures. Where there were three or four foreclosures in prior years, there are now a dozen.

The Tax Collector reported that tax collections are “staying solid”. She explained that the Town remains whole when it puts delinquent taxpayers out to a collection agency. The collection agency charges fifteen (15%) percent on top of the delinquent taxes owed. The collection agencies have the ability to locate people that the Town does not have. The collection agency found a lot of people this year when they filed their federal and state tax returns.

In response to an inquiry from Mr. Heiser, Ms. Berendsen-Hill said that “up county” and “further east” towns experienced slow collections earlier in the year, but now Greenwich, Darien and New Canaan are seeing a slow down. Ms. Berendsen-Hill also noted that reverse mortgages are becoming more acceptable.

Mr. Cascella said that real estate prices are still trending downward. Mr. Ulmer noted there are no new jobs available to promote mobility.

Ms. Berendsen-Hill observed that low mortgage rates only help people who want to refinance. People tend to buy homes when rates start to go up.

Mrs. Berendsen-Hill presented her “Proposed List of Outstanding Bills to be Transferred to Suspense” to the Board of Finance for its approval. The list included all personal property (\$22,637.16) and motor vehicle (\$60,247.08) bills from the 2004 grand list. The total being moved to Suspense (off the balance sheet of uncollected taxes) is \$82,884.24. Ms. Berendsen-Hill explained that the accounts transferred to the Suspense List come off her balance sheet as outstanding taxes, but the Town still collects them. “We are not writing them off, we are moving them to another spread sheet.”

A motion was made by Mr. Cascella and seconded by Mr. Heiser to approve the Suspense list as presented by the Tax Collector. Vote: 3-0. Motion **APPROVED**.

A motion was made by Mr. Heiser and seconded by Mr. Ulmer to adopt a 4% interest rate for deferred taxes for the 2009/2010 fiscal year. 3-0. Motion **APPROVED**.

Fiscal Year Ending 6/30/2009								Prior YTD
TAX COLLECTOR'S REPORT (\$ in millions)							%	a s %
	BDGT	Q1	Q2	Q3	April	Y-T-D	Clctd	of Actual
Current Taxes	\$ 105.6	\$31.6	\$27.4	\$23.4	\$ 20.3	\$ 102.7	97.33%	97.29%
Supplemental MV	\$ 0.8	\$ -	\$ 0.3	\$ 0.3	\$ -	\$ 0.6	80.02%	98.98%
Prior Year Clctns	\$ 0.5	\$ 0.3	\$ 0.2	\$ 0.1	\$ -	\$ 0.6	113.12%	91.40%
Int. & Lien Fees	\$ 0.3	\$ 0.1	\$ 0.1	\$ 0.1	\$ -	\$ 0.3	77.71%	74.73%
As of 1/31/09	\$ 107.1	\$32.0	\$27.9	\$23.9	\$ 20.4	\$ 104.2	97.22%	97.19%

TREASURER'S REPORT

Investments as of		
4/30/2009		
	<u>Amnt Invested</u>	
MBIA	\$ -	
Ridgefield Bank	\$16,550,145.35	0.73
STIF	\$ 1,221,331.26	0.75
Union Savings	\$ 5,035,962.16	0.81
Wachovia	\$ 1,937,983.31	0.45
	\$24,745,422.08	
YTD Interst Earned:		
MBIA	\$ 2,404.18	
Ridgefield Bank	\$ 173,473.05	
STIF	\$ 8,465.64	
Union Savings	\$ 56,970.90	
Wachovia	\$ 14,712.37	
	\$ 256,026.14	

The Board of Finance discussed cash flow with the Finance Director who said he would have to create a cash flow spreadsheet, that he currently does not have any records regarding cash flow throughout the fiscal year. Mr. Heiser asked him to have the information at the June BOARD OF FINANCE meeting and Mr. Redmond said he was not sure that was possible. Mr. Heiser suggested that Mr. Redmond discuss cash flow with the Treasurer and Mr. Cascella opined that asking paid staff to query an elected official was dicey. He suggested the Board Of Finance ask the Treasurer to attend a Board Of Finance meeting to help the Board Of Finance establish an understanding of the Town's cash-flow. Mr. Heiser said he was bothered by the lack of willingness to analyze cash flow. Mr. Cascella noted that the BOARD OF FINANCE experiences the same frustration with the Treasurer's Report every month. Mr. Heiser asked Mr. Cascella to draw up a list of questions for the Treasurer.

CONTROLLER'S REPORT

Mr. Redmond said that the fiscal year 2008/2009 budget had been short \pm \$1.1MM. Police Department special revenue has been strong, helping to reduce the shortfall to \$900k. He reported that revenues continue to trend at the projected rate and he anticipates a \$200k surplus for 2008/2009 fiscal year. He said he would try to have the year-end transfers in place for the June Board of Finance meeting. He noted that the three components (1. Materials; 2. Outside contractors; and 3. Overtime) of the "snow budget" exceeded budget by \$465k. He said he is concerned about the cost of materials.

Mr. Cascella offered that the Town may be under budgeting for snow. Mr. Ulmer said it used to be close before the cost of materials went way up. The cost of materials has been \$180k in 2007; \$150k in 2008 and \$487 in 2009. The road aid money received from the State was used to pay for snow removal.

Mr. Redmond noted that the Fire Department's Overtime line exceeded budget, despite the assurances of the Fire Chief. The Fire Department has people out on disability. Overtime is trending lower for the second part of the year.

Mr. Ulmer said that last year certain accounts were "topped off". Mr. Redmond responded saying that would not happen this year, that Department Heads had all agreed to the budget numbers he was presenting to the Board Of Finance. He said: "All Department Heads get that it's not business as usual, and we are applying tighter scrutiny."

Mr. Heiser said: "I think you guys have done a great job. The vote on the budget is a reflection of your hard work."

Mr. Redmond said Parks & Recreation revenues are at risk and the Director is doing whatever he can to reduce expenses, but he is short of time before the fiscal year end.

Mr. Ulmer asked Mr. Redmond for the status on the bond anticipation notes.

FYE 2010 BUDGET

Mr. Redmond informed the Board Of Finance that the three-year budget (2009/2010; 2010/2011; and 2011/2012) analysis will be ready for the June Board Of Finance meeting. Mr. Cascella asked if the BOE is doing the same three-year analysis, and Mr. Redmond responded that the BOE gave him two years out.

PENSION DISCUSSION

Mr. Heiser opened the discussion by saying that he attended a meeting of Board of Finance chairmen from throughout Fairfield County and the number one concern of all of them was their respective pension funds. He said he would like to have a snapshot numerical answer as to how much the pension fund has lost in principal.

Mr. Seibert answered: about \$17MM or 34%. Mr. Campbell said the high point was in October 2007 at \$58MM. February/March 2009 pension fund assets were about \$37MM; now they are at \$45MM. Mr. Campbell: "As of today we are off 20% compared to last June."

Mr. Campbell informed the Board Of Finance that First Selectman, Rudy Marconi wants to meet with bond counsel to discuss how best to finance the pension fund going forward. Mr. Heiser asked Mr. Redmond how much money went into the Pension Fund. Mr. Redmond responded: \$2.5MM. Mr. Campbell cautioned that, if the market gets worse, the recommended contribution will increase substantially. He reminded the Board Of Finance of three factors that influence the contribution to the pension fund: 1) salaries; 2) additional head count; and 3) investment experience. He said that \$600k is the "big new number from now until forever".

Mr. Cascella asked if the Pension Commission is looking to the Board Of Finance to increase the contribution amount in the next twelve (12) months.

Mr. Campbell responded that the Pension Commission will ask the actuary to put the numbers together June 30, 2009. The Town has an opportunity in November to put some money in (the Pension Fund) or wait until the next budget process. The number will not be known until October. He continued: "We are not here to ask for a ton of money. There is a problem out there and the next year the guess is \$3.1MM (recommended contribution). The sooner it (funding) comes, the better." Mr. Campbell referred to the current economic situation as "the 100 year flood". He prognosticated that the Town would not add the \$600k to the Pension Fund this year and said the Pension Commission "will be all over you". He

suggested the Board Of Finance consider floating a bond to pay for the recommended Pension Fund contribution. Nobody on the Board Of Finance appeared to favor the idea.

Mr. Cascella asked the following hypothetical question: Let's say we are going to borrow \$5MM for x number of years at x rate of interest, could we borrow against the potential revenues of the Pension Fund? Mr. Aaronson responded that he thought not because that would be tantamount to encumbering the funds a second time. Mr. Cascella expressed his concern about the amount of debt the Town carries. Mr. Heiser added: "We are in the top ten (10) as far as debt service out of 169 (Connecticut) towns." Mr. Aaronson said that both Bridgeport and Waterbury have borrowed to fund their respective pensions. This observation provoked some negative comments regarding both cities' fiscal modus operandi. Mr. Campbell again expressed his doubts regarding the Town's resolve to fully fund the Pension Fund and the dangers concomitant with that course of (in)action, calling it "very dangerous".

Mr. Ulmer asked if current State legislation only allowed this (funding the pension fund by means of a bond) for distressed towns. Mr. Campbell responded: "You have to jump through so many hoops and the cost is prohibitive."

Mr. Cascella said: "We should think about alternative ways to fund this."

Mr. Campbell said the Pension Commission fired one manager and enhanced its relationship with the Vanguard Group. He said the proposed investment balance is 60/65% in equities and 34/40% in debt, taking some of the money borrowed at 5% and putting it into corporate bonds paying 7%, locking in a positive arbitrage.

Mr. Mannuzza opined that the Town would still have to kick in \$2.5MM per year. Mr. Aaronson responded that it could be prefunding, and the future liability might drop the annual contribution to "a couple of hundred thousand" swapping the contribution for debt repayment.

Mr. Ulmer asked for an explanation of the recommended extra \$600k contribution in the current fiscal year. Mr. Campbell responded: "basically we have moved up the base". Mr. Ulmer asked about the 4% salary increase assumption. Mr. Campbell responded: "The bigger number is the 7%." ("smoothed" growth assumption)

Mr. Heiser asked about union negotiations, citing Waterbury's problems with its firefighters' pension. He stated: "We don't feel comfortable doubling down on the stock market." Mr. Campbell said he was not comfortable with the federal government borrowing three trillion dollars. Mr. Cascella thanked the members of the Pension Commission for their time and ideas and echoed Mr. Campbell's concern that the Town would continue to underfund the Pension Funds.

Mr. Heiser: "I don't think that's true."

Mr. Ulmer agreed with Mr. Heiser. He reminded those present that two years ago the Town had a \$3.5MM adverse court decision on Bennett's Pond and that money was taken out of the Town's operating budget. "We didn't borrow it because, at the time, our debt service was 15% of the Town's budget. Now it (debt service) is 12%. We had ways of making it up and we did."

Mr. Cascella asked Mr. Redmond if the Town can make a loan to the Pension Fund. Mr. Redmond responded that loans have been made before from the General Fund. He added: "I think you could do it, if it's an arms-length transaction."

BLUMSHAPIRO ENGAGEMENT LETTER

Mr. Redmond reported that BlumShapiro's fee has stayed the same.

A motion was made by Mr. Heiser and seconded by Mr. Cascella to sign the engagement letter with Blum Shapiro.

3-0. Motion **APPROVED.**

COMMUNICATIONS AND CORRESPONDENCE

ADJOURNMENT

A motion was made by Mr. Heiser and seconded by Mr. Ulmer to adjourn the meeting at 9:25 p.m.

Vote 3-0. Motion **APPROVED.**

Respectfully submitted,
Karen Rodgers, Recording Secretary