

**Litchfield Board of Finance
Regular Meeting Minutes
July 8, 2013**

Call to Order. The Chairman called the meeting to order in the LIS Art Room at 7:00 p.m. Present were Mitchell Fishman, Ed Gadomski, David Geiger, Ed Weik and David Pettinichi (Alt.). Brenda Barnes and David W. Wilson were absent. Mr. Geiger appointed Mr. Pettinichi to full voting status. In the absence of Mr. Wilson and Jo Ann Jaacks, Mr. Geiger asked that Mr. Fishman act as secretary *pro tem* of the meeting for the purpose of recording the minutes.

Also present were First Selectman Leo Paul, Treasurer David T. Wilson, Director of Finance Rose Bouchard and Jason Lathrop, Business Manager for the Board of Education (BOE).

Change in Agenda:

Mr. Paul requested that an additional item be added to the agenda: to discuss and if thought proper to approve proposed multi-year contracts for the acquisition by the BOE of laptop computers and copier machines.

Motion: Mr. Weik moved to add such an item to the agenda as Item 4A, following the First Selectman's report, Mr. Pettinichi seconded, all except Mr. Fishman voted aye and the motion was approved. Mr. Fishman abstained.

Approval of Minutes:

Motion: Mr. Weik moved to approve the draft minutes of the meeting of June 10, 2013 and Mr. Gadomski seconded. There was no discussion, all except Mr. Pettinichi voted aye, and the minutes were approved. Mr. Pettinichi abstained.

Mr. Geiger noted that the minutes of the Special Meeting of June 12, 2013, were not yet available, so approval of these minutes would be postponed to the next meeting.

Public Comment:

There was no public comment.

First Selectman's Update:

Mr. Paul reported that there was nothing exciting going on. He said the Capital Committee would meet in the near future to review the Town's future capital requirements and to consider whether to recommend to the Board of Finance (BOF) that any capital items in the FY14 budget be paid for as "pay as you go" (PAYGO) capital. He also reported that the implementation of the regional animal control arrangement discussed and approved at the June 12, 2013, special meeting had been delayed by one month, and that the Town was relying on the services of its outgoing animal control officer for the month of July.

There ensued a lengthy discussion of the timing of approval of PAYGO capital items in the future as compared to prior years, when Mr. Geiger said such items were typically considered in January or February. Mr. Paul explained that the Town wanted to proceed with its annual bond issue much earlier in the fiscal year than in prior years, so that it could have bond funds available

to expend on budgeted capital items by sometime in September. This timing, he said, had been recommended by bond counsel, in order for the Town to avoid having to use other funds to begin work on capital projects. Mr. Paul and Mr. Wilson explained that this schedule would require the Capital Committee to recommend, and the BOF to approve, PAYGO projects not later than the BOF's September meeting, so that the amount of such items could be fixed and the size of the bond issue decreased accordingly. All agreed that it would be undesirable to issue more bonds than were necessary to fund the planned capital projects.

Mr. Wilson stated that although the bonding resolution had approved the issuance of up to \$2.8 million of bonds, the Capital Committee in its previous deliberations had contemplated reducing that amount by up to \$600,000, by using fund balance in excess of normal requirements for PAYGO projects. He explained the \$600,000 figure as consisting of \$300,000 from current fund balance and an additional \$300,000 from the prior year, when, he said, no portion of fund balance had been used for PAYGO projects. Mr. Geiger questioned whether this \$600,000 amount had been previously disclosed to the BOF, and Mr. Wilson said that it had. Mr. Geiger pointed out that the 2013 fiscal year-end fund balance would likely amount to more than \$1.0 million in excess of the target amount of 12% of total revenues, and that it was up to the BOF to determine whether or not to use it for PAYGO items and if so the amount of such items.

Mr. Paul said it would be his preference to issue bonds by September 1, but this would not be possible in the current year because the BOF did not have a meeting scheduled in August; he suggested that the BOF consider in future years omitting its meeting in July and instead scheduling one in August to accommodate this schedule. Mr. Paul also noted that there were two items in the BOE's approved capital budget that the BOE wished to proceed with during the summer: the purchase of smart boards for the high school and the refinishing of school floors, for a total of approximately \$106,000.

Additional Agenda Item:

Motion: Mr. Fishman moved to add to the agenda, as a new item following the report of the Director of Finance, the consideration of using fund balance to allow the BOE to purchase "smart boards" as provided in its FY14 budget but as a PAYGO item, Mr. Weik seconded, all voted aye and the motion was approved.

Board of Education Proposed Multi-Year Contracts:

Mr. Paul reported that he had met with Mr. Lathrop on behalf of the BOE to discuss the BOE's proposed financing arrangement for the acquisition of replacement copier machines and of laptop computers for the high school as included in the BOE's budget. The proposal was to enter into four-year lease-purchase agreements to acquire these items, at a cost of up to \$31,900 per year for the copiers and up to \$74,200 for the laptops. After receiving bids for these items, Mr. Lathrop explained, the implied cost of financing for these items ranged from 6% on a regular taxable lease to 2.4% on a tax-exempt lease, implying a savings of approximately \$20,000 per year for the tax-exempt transaction. Mr. Paul explained that the tax-exempt financing would require an opinion of bond counsel, and that counsel had requested approval of the proposal by

the BOF because of the four-year commitments involved. Mr. Paul also distributed to the members present a draft of resolutions requested by bond counsel.

Motion: After discussion, Mr. Fishman moved that the BOF approve the Town entering into four-year lease purchase agreements for the acquisition of copier machines at a cost of up to \$31,900 per year for four years and for the acquisition of laptop computers at a cost of up to \$74,200 per year for four years, that the BOF approve the other resolutions relating to these transactions in the draft form prepared by bond counsel and presented to the members, and that the complete text of such resolutions be included in or attached to the minutes of the meeting. Mr. Weik seconded the motion, all voted aye and the motion was approved.

Director of Finance's Monthly Status Report:

Ms. Bouchard reported that she had begun to work on the closing of the books for the fiscal year just ended June 30, 2013 and had met with the auditors to discuss beginning the audit process for the year. She stated that it was too early for her to present a draft financial report for the month ended June 30, 2013, but that she estimated, based on her work to date, that the closing fund balance could be up to \$300,000 more than as reported as of May 31. She also reported that the Town had completed and submitted its claim to FEMA for reimbursement of expenses totaling \$54,108 incurred in connection with the February snow storm, and that such expenses were reimbursable by FEMA to the extent of 75%, or \$40,581.

Authorization of Purchase of "Smart Boards" by BOE:

Motion: Mr. Fishman moved that the BOF approve the use by the BOE of \$95,000 of monies in the Town's unrestricted fund balance for the purpose of purchasing "smart boards" included in the BOE's FY14 budget, notwithstanding that such purchase had been budgeted as a capital item, Mr. Weik seconded, all voted aye and the motion was approved.

Town's Pension Liability Discussion:

Mr. Geiger expressed regret that Ms. Barnes and Mr. David W. Wilson were not able to attend tonight's meeting. He said that it was a good idea for the BOF to periodically review the town's pension liabilities, and noted that during the time he had served as the BOF's representative on the Pension Commission, that Commission had adopted a beneficial change to the Town's approach to meeting its pension liabilities, namely reducing from 30 to 20 years the period over which unfunded actuarial liabilities were amortized by additional contributions, and had also replaced the investment manager. Mr. Wilson reported that in last year's renegotiation of union contracts with the Town's employees, a number of changes were made that would have a favorable impact of future plan liabilities: (1) New employees would not be eligible for the defined benefit pension (DBP) plan, but only for a defined contribution (401(a)) plan, to which the Town would contribute 3% of their salary; (2) participants in the DB plan would begin to contribute to the plan at the rate of 1% of salary in fiscal year 2016; and (3) current employees who had not yet vested in the DB plan would be offered a one-time option to receive the commuted value of their contributions to date and roll them over into the 401(a) plan. He said

the last could be attractive to employees who planned to move on from their employment with the town after a short period of time. In response to questions from Mr. Fishman, Mr. Wilson acknowledged that notwithstanding these changes, current participants in the DB plan would continue to accrue additional years of service and to receive increases in compensation that would augment their benefits under the plan, and that the impact of the 1% employee contribution initially would be small. Mr. Wilson also pointed out that the 3% contribution to the new DCP would be a significant savings over the cost of the DBP; Mr. Paul stated that the Town was currently contributing approximately 9% of payroll to fund its current liability under the existing pension plan.

Mr. Fishman pointed out that until FY 2011, the Town's unfunded actuarial liability under the pension plan had increased significantly, even though the Town had almost always made the recommended contributions to the plan, and questioned whether the contribution by the Town of the amount calculated by the actuary as the "Annual Required Contribution" (ARC) would ever be enough to fully amortize the unfunded liability. Mr. Wilson stated that he thought it would, if continued over a 20 year period, but said he would look into the question. He also stated that in some years before 2004, the Town had not met the ARC, and that the Town's previous actuary may have underestimated the required contributions, which may have contributed to the shortfall. Mr. Fishman also stated that there were other questions about the pension plan, including the use of a 7% discount rate, that he would like to see discussed at a future meeting.

New Buisness:

- (a) **Financial Transfers:** There were no requested financial transfers.
- (b) **Correspondence:** Mr. Geiger stated he had received no correspondence.
- (c) **Payment of Bills:** There were no bills for payment.
- (d) **Future Agenda Items:** Mr. Fishman suggested continuing the discussion of the Town's pension liabilities at a future meeting at which Ms. Barnes and David W. Wilson were present.

Committee Reports: There were no committee reports.

Adjournment:

Motion: Mr. Fishman moved that the meeting be adjourned, Mr. Pettinichi seconded, all voted aye and the meeting was adjourned at 8:45 p.m.

Respectfully submitted:

Mitchell S. Fishman,
Secretary *pro tem*