

Board of Finance
Special Meeting – January 28, 2009
MINUTES

Attending:

Board of Finance Members: Al Alper (7:41 arrival), Robert Kelso, Jim Meinhold, Andy Pforzheimer (7:43 arrival), Warren Serenbetz; Notified Absence: Lynne Vanderslice

Others: Joseph Dolan, Scott Bassett (McGladrey & Pullen), Gina DeFilio (McGladrey & Pullen), Richard McArdle, Sarah Taffel

Call to Order:

Warren Serenbetz called the meeting to order at 7:35 p.m.

Review June 30, 2008 Audit Report:

Mr. Serenbetz introduced Scott Bassett, partner at McGladrey & Pullen, who presented the draft June 30, 2008 Audit Report to the Board.

Mr. Bassett stated that the audit went very well and that there were no real surprises. He stated that the financial statements reflect the Town's strong financial position. The general fund's undesignated and unreserved fund balance is \$13.6 million. On a GAAP basis, the general fund revenues were \$105.5 million, net of extraordinary items. Expenditures, also net of extraordinary items, were \$103.9 million. Other financing sources were \$339,028. The resulting change in the general fund balance was \$1.9 million. On a budget basis, general fund revenues were \$100.4 million or \$2.3 million over the final budget. Expenditures were \$98.5 million or \$4 million less than the final budget. The final budget proposed using \$4.4 million of the June 30, 2007 fund balance, but FY 2008 actually returned \$1.9 million, which is a positive variance of \$6.3 million. Mr. Bassett summed it up by saying "things look good." He also noted that the condition and timeliness of the reports were all up to par, as expected, which he felt was very important in getting accurate numbers for the Board to make decision during the budget process.

He highlighted other sections of the report and answered questions from board members as follows:

Statement of Net Assets – Overall net assets were \$115 million, \$80 million in capital assets and \$35 million in unrestricted assets.

Page 17 – Balance Sheet Governmental Funds. The general fund total assets were \$32.5 million. Liabilities totaled \$11.4 million, resulting in a fund balance of \$21 million, of which \$7.4 million is reserved or designated, including the \$5.7 million designated to finance FY 2009. Mr. Bassett explained the various reservations of fund balance and said the \$5.7 million designation for FY'09 is noticeably higher than the June 30, 2007 designation.

Page 18 – Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – presents the general fund and non-major governmental funds in an aggregate total. General fund - revenues of \$105.5 million, offset by expenditures of \$103 million, resulting in a \$1.9 million increase. Mr. Bassett explained that the \$18.2 extraordinary revenue and expenditure was the state’s contribution to the State Teacher’s Retirement Fund. The state issued bonds of \$2.3 billion to reduce the unfunded liability. The \$18.2 million is that portion of the additional contribution attributable to Wilton Board of Education employees and retirees who are members of that retirement plan.

Page 20 – General Fund Budget to Actual statement – schedule showing original budget, revised budget, and results of operations into variants. Shows planned use of \$4 million of fund balance during the course of the year. Operations show positive variance of \$1.8 million, giving better than expected budgetary variance of \$6.3 million for the year. The components of the variance are: \$1.4 million in intergovernmental revenue and \$822,000 in property taxes. Positive expenditure variances were: capital outlay of \$1,068,063, Board of Education, \$857,000, Board of Selectmen's operating, \$1,194,235 and Charter Authority, \$958,959. From an operating result, Mr. Bassett stated it was a very good year. Joe Dolan indicated that approximately \$1,013,600 of the capital outlay variance was carried over to FY '09, in accordance with the Charter, and constitutes a reservation of the general fund balance.

Mr. Kelso asked what the actual collection rate of property taxes was; Mr. Dolan stated that on a revenue recognition basis, collections were 99.4%; however, actual collections would be slightly less, the difference reflecting 60 days of accrual.

Jim Meinhold asked what accounted for the large positive variance in intergovernmental revenues; Mr. Bassett explained that the two key variances were that some education grant money and some excess cost money came in a bit better than expected. Mr. Meinhold also asked about new manufacturing equipment; Mr. Dolan explained that that represented a partial reimbursement from the state for tax revenue lost on certain equipment which is statutorily exempt from local property taxes.

Al Alper asked why Town Clerk revenue appeared to be down by 10 percent; Mr. Dolan said it primarily reflected a decrease in real estate transfer taxes and recording fees.

Andy Pforzheimer asked for an explanation for the variance in the Comstock school rent; Mr. Dolan stated Nursing and Home Care occupied part of the building for approximately six months of the fiscal year, which hadn’t been expected.

Mr. Kelso asked about sale of assets; Rich McArdle explained that the Town sold two fire engines for \$40,000 each when new ones were purchased last year.

Mr. Pforzheimer asked what accounted for the large positive variance in information systems; Mr. Dolan explained that some of that reflected salary savings due to the IS Director’s position not being filled until the end of November, and a reduction in some outside contractual services once the position was filled.

Mr. Kelso stated that, as a general observation, he was pleased to see variances were generally positive, which he suggested was a very good sign. He also commended Mr. Dolan on the insurance numbers, which Mr. Dolan stated was mostly due to the work of the insurance consultant hired by the Town last year. He also indicated that the worker's comp experience was good last year as well.

Page 21 – activity highlights of three funds: WPCA (\$11.6 million total assets), transfer station (\$234,000 net assets), and internal service fund (\$3.3 million assets).

Page 20 – WPCA fund increased by \$1.8 million but significant part of that is a new special assessment, with payment over 20 years. Transfer station had a small income of \$200,000, and internal service fund end net income of \$320,000. Internal service fund accounts for self-insurance activities at the BOE, and although currently positive fund balance of \$3.3 million with expenditures of \$8.3 million, must be watched going forward to ensure charging premiums.

Mr. Pforzheimer said he was surprised to see the transfer station had \$234,000 in net income. Mr. Dolan clarified that the transfer station received a subsidy of \$297,000 in FY '08, of which \$142,000 constituted a write-off of a payable to the general fund. Without the subsidy, there would have been a small loss. He also noted that the subsidy is intended to defray the cost and therefore the burden of recycling activities because if there is a cost involved, it discourages people from recycling.

With respect to a question about investment of the WPCA Fund, Mr. Dolan explained the funds must be invested in short term instruments in order to comply with the state statute list of permitted investments, which are essentially all money market-type instruments. He reported that at June 30, some of the fund was invested in a CD but most of it was in STIF. He also advised that since that date, a U.S. Treasury Money Market Fund account has been opened through Vanguard.

Pages 37-39 – Cash and cash equivalents investments; shows where assets are invested and the kind of instruments they're invested in. Bulk is with short term Triple-A rated investment fund with State of Connecticut. Pension trust funds invested in bond and equity mutual funds. Total cash in investments in trust funds and operating funds approximately \$99 million at June 30, 2008.

Page 54 – shows funding progress of pension trust. With respect to next actuarial valuation, Mr. Bassett stated he believed this is where market conditions will most likely have strongest impact on operating budget. Mr. Dolan also added that even though only 20 percent of 2009's losses will be recognized in the valuation because of the five-year smoothing, that may still be a noticeable number.

Mr. Kelso asked how the Town's current assumptions compared to those of other entities; Mr. Bassett stated that from an external perspective, some entities may be taking a look at salary increases. He also indicated that although the Town may be somewhat conservative in assuming a rate of return of 7.8 percent, it is probably right where it should be. Mr. Pforzheimer asked

whether towns were adjusting the projected salary increase downward; Mr. Bassett stated that he believed some have, although he suggested looking at individual Town trends and contracts to see what's happening.

Page 58 – GASB 45; Other Post Employment Benefits – Mr. Bassett believes Town is in a very good position with respect to adoption of GASB 45 in '09.

With respect to the firm's management letter, Mr. Bassett advised that the letter concerned UHY's recommendations in the Parks & Recreation "Agreed Upon Procedures Report". He said he thought they were valid and sound. Additionally, although not included in the letter, Mr. Bassett strongly encouraged the Town to monitor the Board of Education's Medical Self Insurance (Internal Service Fund). Mr. Serenbetz commented that he believed the BOE planned to take the fluctuation reserve fund to zero in 2010.

Mr. Dolan mentioned that in the course of the audit, one of the auditors had mentioned growing deficit in the Board of Education's Entitlement Grant fund.

With respect to the OPEB Trust (page 55), Mr. Dolan asked the Board to note that the trust fund actually made money in FY '08.

With respect to continuing appropriations in the general fund, Mr. Kelso asked if there was anything significant that goes back more than one year. Mr. Dolan advised that under the Charter, if there has been any activity in capital appropriation it continues, as is the case with some of the IT capital, but noted that if nothing is expended or encumbered for two years beyond the year of original appropriation, it lapses.

Mr. Bassett concluded his report by stating the firm is on schedule for signing the management letter for filing with the State by the February 2 deadline, and he invited the Board to contact him or Gina DeFilio if there are additional questions. Mr. Dolan stated he would also be available to answer questions individuals may have.

Mr. Serenbetz thanked Mr. Bassett and Ms. DeFilio on behalf of the Board of Finance for their work on the audit and tonight's presentation to the Board.

Adjournment:

There being no further business, Mr. Serenbetz asked for a motion to adjourn. Mr. Kelso so motioned; Mr. Alper seconded, and the motion passed unanimously at 8:36 p.m.

Respectfully submitted,

Anna Corra
Recording Secretary