

Board of Finance
Regular Meeting - March 15, 2011
Minutes

Attending:

Board of Finance Members: Jim Meinhold, Lynne Vanderslice, Gail Lavielle, Andy Pforzheimer and Al Alper. Chairman Warren Serenbetz was an excused absence.

Others: Sandy Dennies (CFO), Scott Bassett (McGladrey & Pullen), David Lisowski (Assessor), Patrick Filley (Prudential Realty) and Joan Lowden (Wilton Bulletin), Ken Dartley (taxpayer) and Erin Harrison (Wilton Patch)

Call to Order:

Vice Chairman Lynne Vanderslice called the meeting to order at 7:30pm.

Approval of Minutes:

A motion was made by Al Alper to approve the February 15th, 2011 regular meeting minutes with an amendment on page 3 to include the specific wording of his requested pre-amble to the Board of Ed. The pre-amble reads as follows: “ As I stated in my opening remarks at the February 8th meeting, if we accept the structural delivery of services as immovable then the budget as presented has wrung out most, if not all “fat” – in fact I believe it has cut too deep in some areas and is/has affected the quality of education. Having said that, the fiscal realities are that the financial resources of Wilton have reached a tipping point. There are structural costs that, should they continue on such a steep incline relative to the ability of the tax base to absorb it, threaten the long- term sustainability of the quality of education and life in Wilton – essentially, we are “structurally insolvent”. Toward that end my requests/questions are geared toward a better understanding of the policy and statutory drivers that breed the structural costs, and to help the Town and BoE to find other ways to reduce costs, increase outcomes or do both – and do them in a measurable way.” The motion was seconded by Gail Lavielle and approved unanimously.

A motion was made by Gail Lavielle to approve the special meeting with the BoE on March 1st, 2011. The motion was seconded by Al Alper and approved unanimously.

Presentation of Audit Findings:

Scott Bassett, partner at McGladrey and Pullen, presented the findings of the town audit for the year ended 6/30/10. An unqualified opinion was issued. Some of the highlights include a lower fund balance of \$12.2million, a decrease of \$660,000 from the previous year. This decrease was expected and was actually budgeted to be a higher decrease.

Some of the revenue shortfall is attributed to state funds going to other areas in the income statement. Interest income was only \$120,000 compared to \$750,000 budgeted. Wilton's tax collection rate was very strong at 99.4%. OPEB and the Pension trust remain funded and experienced positive appreciation.

Mr. Bassett stated there were only a few adjustments needed because the records were clean and accurate. Overall, it was a stable, good fiscal year for the town and Wilton will maintain it's AAA bond rating.

Mr. Pforzheimer asked Mr. Bassett about other towns and their medical plans. Mr. Bassett responded self-insured plans work well if the town keeps them appropriately funded. He commented it's important to set a policy on unrestricted assets vs. claims. There needs to be a couple of months in reserve to pay outstanding claims.

Ms. Dennies indicated the BoS is working with a consultant on such a policy regarding self-insuring. The BoE has said it will share its' excess fund balance if initial claims exceed available funds and ultimately there will be a combined BoS / BoE fund.

Ms. Vanderslice inquired how Wilton's accounting systems compare with other towns. Mr. Bassett responded he only sees the end result, not the daily efficiencies but he thinks we are in the middle.

Mr. Pforzheimer inquired about the first management comment, which dealt the \$800,000 in outstanding capital projects. Ms. Dennies confirmed many

of these items need to be cleaned up / closed. There is a 2 year window to use the bonded funds for the associated capital project.

Mr. Alper asked about the second management comment, which dealt with the performance bonds not reconciling and Ms. Dennies commented this is a work in process.

Mr. Bassett's final comment was there will be a change next year in how the fund balance will be reported per GASB 54.

Presentation of the Grand List:

Mr. David Lisowski, Wilton's tax assessor, presented the 2010 Grand List, which totaled \$5,082 billion. One area of concern, the CL&P project was valued at \$92 million only slightly less than last year. Although finished and subject to depreciation, the project still required replacement of equipment.

The Real Estate category, both commercial and residential is valued at \$4.711 billion. The value of residential land increased because it was moved from vacant land to now build-able sites. The personal property / motor vehicles category is very difficult to predict therefore is a wild card. This category valued at \$184 million. Interestingly, there was a sizeable increase in motor vehicles to 16,347 compared to last year's 15,881. Personal property, net of exemptions, for 2010 was \$182 million.

There were 313 notices for assessment increases sent out in early March compared to 339 notices last year. Building activity slowed down along with the scope and size of other projects. Avalon will contribute approx. \$10 million in the upcoming year and 2 commercial properties on Danbury Rd. will add a combined \$3 million.

Mrs. Vanderslice commented the breakdown in residential assessments shows 69% comes from houses and 31% from condos. Also, the majority of homes were valued in the \$500,000-\$1million range.

Mrs. Vanderslice asked if commercial property can be taxed at a different mill rate than personal property as occurs in other states. There were mixed opinions on this and Ms. Dennies will research the correct answer.

Review of Wilton Real Estate Market:

Mr. Patrick Filley of Prudential Real Estate reviewed the single family housing market, Wilton's "meat and potatoes". New construction has slowed causing a decrease in pricing levels. Taxes are important in determining who will be moving into Wilton and who will not. Schools remain important but people are finding other towns where the schools are workable yet have a lower tax rate. An example of this is more people looking at the Pound Ridge area in Westchester. There is a decline in the number of people "moving up" to Wilton from Norwalk and Stamford.

Westport, New Canaan and Darien had huge increases in their Real Estate values, about 50-60%, which compares to 20% in Wilton. Investment remains a concern for potential buyers but taxes are the biggest question asked of realtors. People ask can I buy more in other towns with equivalent schools and get a better tax rate.

Mr. Filley believes Wilton hasn't yet seen the full impact of shorts sales yet sees the foreclosure impact not as severe. He indicated it's about a 2-2 1/2 year process for a house in lispendo to go onto the market. His research shows many people in Wilton have been consistently mortgaging and refinancing. Furthermore, the recent harsh winter has prompted many calls to realtors from people without kids in schools who are considering moving.

Mr. Alper asked which towns are to be considered our biggest competitors and Mr. Filley responded Ridgefield, if the commute is not an issue, Westport and New Canaan, both of which have desirable Main Streets.

Mr. Pforzheimer asked which is the most important driver to potential buyers in Wilton in today's market: schools or taxes. After some thought Mr. Filley said possibly taxes as people often don't see enough of the schools before they purchase but can look at the tax information.

2011 Budget Update:

Ms. Dennies presented the most recent financial information and the town is on target for being 3/4 of the way through the budget year. Tax collection is good, revenue is on track with no anticipated changes, expenditures are in line with budget and building permits might increase this spring. She sees no concerns on the horizon.

Mr. Alper inquired about the harsh winter impact on the town and possible overage on overtime, etc. At this point there is no personnel overtime and Jan. 11/12 were declared disasters by President Obama so 75% of the towns' costs for those days will be reimbursed.

Mr. Alper then asked about the timing for the decision on the unused capital expenditure funds. Ms. Dennies said this area will be part of next year's budget and discussion will take place on whether using it for debt service is an option. According to Ms. Dennies, the town charter states the Treasurer of the town has the opportunity for using unspent bonded capital funds to offset debt service (interest only). Last year \$608,000 was retired in debt service which was due this year.

Ms. Vanderslice asked a question which led to a lengthy discussion and several other BoF members fine tuning the question in order to gather as much information as possible. Ms. Vanderslice commented the 2010 "actual" results for the BoS operating expenses were under budget in excess of \$1 million. When the 2011 Budget was built the numbers used were based on budgeted numbers, not actual results from 2010. Therefore, isn't it logical to expect favorability would be seen in the 2011 actual results?

Ms. Dennies responded much of the variance in budget vs. actual numbers was due to deferring both capital projects and operating expenses at the end of the fiscal year, at Bill Brennan's request to hold spending, in response to the lower incoming revenues for the year.

Ms. Vanderslice stated the 2010 Actual operating expenses were \$25.9 million compared to the 2011 Budgeted of \$27.5 million. As such if the results come in on budget the increase year over year will be 6.1% , not the .28% which was budgeted. And a possible 11.2% increase over the two year period, 2010-2012. Actual results indicate increases in Operating expenses, which are significantly higher than what was expected from the budget process and is causing concern for the BoF.

Mr. Pforzheimer wanted to clarify what specifically was deferred in spending. He also confirmed the BoS presented the results as it "had saved the town money" last year, not that it "had deferred expenditures.". He stated the BoF was led to believe there had been structural changes that resulted in additional savings down the road when the reality was it was just

a timing issue and there were no big changes in costs saved to running the Town. Ms. Dennies responded the wage freezes were a structural change.

Mr. Meinhold inquired if the deferred items were then purchased immediately in the new fiscal year.

The discussion ended with a consensus that at Wednesday night's (3/16) BoF / BoS meeting a better analysis of these numbers would be reviewed.

Mr. Pforzheimer asked about the insurance line item and the fact the value of employee insurance benefits can total as high as \$31,000 / year per employee, which is a huge number in his opinion. The contribution level of each employee under the plan is often as low as only 6%. He asked if Wilton could really afford this high number. Ms. Dennies explained these insurance items were all under contract by union negotiation. She stated the town is soon proposing a self insured plan to be combined with that of the BoE.

2012 Budget Update / Process

Ms. Vanderslice reported both the BoS and the BoE will be submitting 2013 and 2014 projections within the next few days. Mr. Alper has additional questions for the BoE and if there are others they are to be given to Mrs. Vanderslice.

Mr. Pforzheimer asked Ms. Dennies about the significant increase in the transfer station budget. The answer involved earlier salary freezes put back in along with anticipated increases in usage by commercial contractors due to rising fuel costs. The favorable pricing currently available in Bridgeport and other towns may be offset by rising fuel costs, therefore bringing those contractors back to Wilton

Ms. Vanderslice summarized at this point, given the submitted budgets of the BoE and BoS the proposed mill rate increase will be about 6.6%. This is the number most likely used for the public hearings. The BoE increase is now down to 4.66% after making some changes.

Committee Reports:

The BoS hasn't received the Purchasing Committee report so Ms. Vanderslice will forward it.

Other Business:

Mr. Meinhold stated 34 letters have been entered in the public record since the last meeting and total emails received are about 150. The members discussed how to best communicate the proposed 6.6% mill rate to the public. It was decided a letter to the editor along with a reply email response to citizens who contacted BoF members would be best.

Adjournment:

The meeting was adjourned at 9:45pm.

Respectfully Submitted,
Amy Roberts