

DRAFT

BOARD of FINANCE

Meeting Minutes

March 11, 2010

**ATTENDANCE:** The meeting was convened at 7:32 pm by Vice Chairman Sargent in the Town Hall meeting room with members Atkinson, Ezzes, and Kopas present. Mr. Carter joined the meeting in progress. Town Administrator Landry and Finance Director Darling were also present.

**BOND RESOLUTION:** Bond Counsel Bruce Chudwick of Shipman and Goodwin, explained the draft resolution submitted for Board approval, which seeks Town meeting authorization to issue \$6.6 million in new debt for various Town and School capital building projects. A motion ( Ms. Kopas, Mr. Atkinson second) to approve the resolution as presented passed by a vote of 4-0. The resolution is attached to these minutes. Mr. Carter joined the meeting directly after this vote.

**OPEB INVESTMENTS REVIEW.** At 7:50 pm, Karen Paulson of FIA reviewed with the Board the fourth quarter results of the various OPEB investment funds. The disseminated report is attached to these minutes. She pointed out the targeted versus actual realized returns, and discussed the portfolio allocation.

Mr. Ezzes asked several questions about the decision to dollar cost average the purchase of the various investment vehicles. He stated this was similar to trying to time the market, and given the returns of the market, the delayed investments had cost the Town a considerable return. After some discussion, Mr. Sargent stated that the decision to phase in the investments was made by the Board, and FIA was following the Board's directive.

Present for the meeting's next discussion, Becky Sielman of Milliman offered that in hearing this discussion, she thinks that the 8% discount rate Milliman is using for calculating the OPEB liability is probably too high, given the investment portfolio mix of bonds and equities. She said something in the 7.25% to 7.5% range might be more appropriate. Members pursued this line of discussion, then determined to discuss it in some detail beyond what time is available tonight. Members decided to schedule a meeting solely for this purpose in May or June.

As Ms. Paulson's presentation was merely informational, no vote was required or taken.

**OPEB FUNDING SCHEDULE.** At 8:14 pm, Ms. Becky Sielman of Milliman, presented the firm's valuation report for Town and School OPEB liabilities as of July 1, 2009 ( Other Post Employment Benefits Program). The report is attached to these minutes. Key elements of the report included an additional \$1.3 million in liability due to the discovery that several school administrators were not included in the 2007 report. Also, the

projected expense attributable to teachers hired before 1991 was less than expected. This opens the possibility that the original 10 year funding schedule could be extended by another year or two. Of course, this would impact the contribution schedule into the OPEB fund by the Town and School operating budgets. The accuracy and adequacy of the schedules were discussed at some length, as there are several contribution levels and philosophies which could be justified to some degree.

The Board also discussed the appropriateness of the 8% discount rate utilized by Milliman. Ms. Sielman said that the OPEB purpose is calculated over a very long time frame, perhaps 60 or 80 years. So from that perspective, a rate of return like that is a reasonable one if the bond/equity mix is appropriate to the assumption.

In response to a request from Mr. Carter, Ms. Sielman did agree to provide a further breakdown of liability by department ( Town, Fire, BOE certified and BOE non-certified) for future years. The Board decided to further pursue discussion of this topic at its May meeting.

**GENERAL FUND INVESTMENTS.** At 9:50 pm, Mr. Darling reviewed with the Board the projected earnings on investment interest income, as well as projected state aid and local revenues for the current fiscal year. The discussion quickly focused upon the investment income return from the Janney Montgomery Scott portfolio of investments. Although the funds are performing as expected, members Kopas and Atkinson expressed that they remain uneasy with the increased relative risk of these investments. They wondered how long we might stay with the present portfolio strategy before returning to traditional Town investment vehicles. In response to a question, Mr. Darling responded that these investments represent perhaps \$30,000 more in return than if we stayed with the traditional investment vehicles we have used historically. Other members noted that the extra returns do cut the tax burden and that these investments were only a minority portion of the total Town investments. They opined that the risk was prudent and reasonable. The Board took no action on Mr. Darling's report, as it was an informational item.

**PRESENT FISCAL YEAR OUTLOOK.** Mr. Darling shared a report with the Board which projected key areas of deficit and surplus for the current fiscal year. Total revenues are projected to exceed the budgeted amounts by \$283,000. Deficits in investment income, Town Clerk Fees, and Building Fees were more than offset by surplus receipts in current and prior tax collections, and state revenue.

Expected deficits in social security, pension, legal, Police overtime and snow removal are partially offset by a surplus in the health insurance, other Police accounts, and all other Town expenses. Total Town expense deficit is currently projected at \$34,000.

**MINUTES APPROVAL.** This item was deferred.

**OTHER BUSINESS.** Mr. Carter spoke of the need to have a deliberative session for the Board members to discuss the proposed budget requests and the additional information

submitted by departments since the budget presentations. After some discussion and calendar checking, members agreed to a meeting for this purpose, tentatively scheduled for Friday morning, March 19, at 7:30 am.

ADJOURN: At 10:15 pm, a motion ( Mr. Ezzes, Ms. Kopas second) to adjourn the meeting passed by unanimous vote.