MINUTES of the regular meeting of the Board of Estimate and Taxation held on Monday, November 17, 2014 in the Town Hall Meeting Room, Greenwich, CT.

Chairman Michael Mason called the meeting to order at 6:32 P.M., after which the members pledged allegiance to the flag.

Board members in attendance:

Michael S. Mason, Chairman
Arthur D. Norton, Vice Chairman
William Drake, Clerk
John Blankley
William R. Finger
Sean Goldrick
Randall Huffman
Marc V. Johnson
Mary Lee A. Kiernan
Jeffrey S. Ramer
Leslie L. Tarkington
Nancy Weissler

Staff: Peter Mynarski, Comptroller; Roland Gieger, Budget Director; Lauren Elliott, Assessor; Robert Shipman, Assistant Assessor: Eugene F. McLaughlin, Jr. Assistant Town Attorney; Allen Brown, Executive Director, Ray Augustine, CFO, Nathaniel Witherell

Other: Joseph Ross, Chairman, Jackie Welsh, Vice Chairman, Laura Erickson (also BOE), Leslie Moriarty, MISA Building Committee; Barbara O'Neil, Chair, BOE; David Ormsby, Chairman, Lloyd Bankson, Nathaniel Witherell Board; Michael Carter, RTM

Mr. Mason opened the meeting by welcoming the public. He asked Mr. Drake to present the routine application agenda.

ROUTINE APPLICATIONS

HD-3	Health	Approval to Use
$73,462	F 403 & various codes	Services, Social Security, Supplies, Equipment Maintenance

Upon a motion by Mr. Drake, seconded by Mr. Johnson, the Board voted 12-0-0 to approve the application.

NON-ROUTINE APPLICATIONS

ED-2	BOE	Release of Conditions
$2,759,000	B680 59560 12149	MISA – Contingency & FF&E Supplies

Mr. Johnson commented that Mr. Ross requested the release of conditions on two separate approved appropriations, the MISA auditorium project contingency funds ($1,415,000) and MISA FF&E ($1,344,000) based on the status of construction and need to outfit the auditorium for the expected substantial completion day for the auditorium of 5/1/2015. The Budget Committee had voted 4-0 to approve the application.

Upon a motion by Mr. Johnson, seconded by Mr. Ramer, the Board voted 12-0-0 to approve the application.

NW-1	Nathaniel Witherell	Additional Appropriation
$100,000	H450 59090	Capital – Technology

Mr. Johnson reported that the Budget Committee heard from Messrs. Augustine and Ormsby that the application for the additional appropriation was for new security resulting from additional access/egress created by Project Renew construction. The Committee expressed its concern that the request was outside the regular capital projects budget cycle, and voted 4-0 to condition the application on receipt of funds from a STEAP grant.

Upon a motion by Ms. Tarkington, seconded by Mr. Finger, the Board voted 12-0-0 to accept the condition.

Mr. Johnson continued that Nathaniel Witherell had presented its Operating Budget which showed the revenue impact of the occupancy delay and the positive improvement generated by the new admission mix. He informed the Board that the Committee also reviewed a preliminary Fifteen (15) Year Capital Improvement Plan. This plan will be more thoroughly reviewed during budget deliberations next February.

Mr. Mason thanked Mr. Augustine for the thorough overview and commented that the next step would be for the RTM's Finance and Health & Human Services Committees to review and vote on the expenditure.

Upon a motion by Mr. Johnson, seconded by Mr. Ramer, the Board voted 12-0-0 to approve the application as amended.

ASSESSOR'S REPORT

Ms. Elliot presented the Report and highlighted that only 38 court cases remained to be settled of the 167 outstanding cases pending at the time of her arrival. She indicated the Grand List as of October 1, 2014 was being finalized and expected that it would be completed by the end of January 2015.

Upon a motion by Mr. Finger, seconded by Ms. Tarkington, the Board voted 12-0-0 to accept the report.

COMPTROLLER'S REPORT

Mr. Mynarski advised the BET that a draft of the TOG Audit would be completed this week and that the Audit Committee had scheduled a special meeting to review it on November 25, 2014.

He commented that the certification of Project Renew costs was currently taking place and would be forwarded to Audit Committee members before the special meeting. Mr. Mynarski noted that the Actuary Report for the Retirement Board and OPEB would be ready for their comment by December 5, 2014 but could be postponed until more recent investment returns would be available.

He informed the Board that the bond financing rating agency meetings would take place between January 5-9, 2015 and that Bonds & Notes issuance was scheduled for January 15, 2015.

> Upon a motion by Mr. Norton, seconded by Ms. Tarkington, the Board voted 12-0-0 to accept the report.

ACCEPTANCE OF THE TREASURER'S REPORT SHOWING INVESTMENT PORTFOLIO ACTIVITY FOR OCTOBER 2014

> Upon a motion by Mr. Norton, seconded by Ms. Tarkington, the Board voted 12-0-0 to accept the report.

BET Standing Committee Reports

Law Committee – Mr. Ramer reported that the Committee had reviewed the relevant legal documents regarding an investment in Landmark Real Estate Fund VII and found that the documents are in legal order. The Committee voted 2-0 that the documents are in legal order provided that the documents are completed to stipulate an investment of up to and including $15 million.

Item Moved Forward from **New Business**

Approval of Landmark Real Estate Fund VII, LP- $15 million Investment – Mr. Drake read the Law Committee's full resolution.

> **RESOLUTION regarding investment in Landmark Real Estate Fund VII**
> **Upon a motion duly made and seconded, the Law Committee of the Board of Estimate and Taxation, (BET) members Tarkington and Ramer present, voted 2-0 to find that the Law Department has reviewed the relevant legal documents including the limited partnership agreement, confidential private placement memorandum, subscription agreement, investment advisor brochure and a side letter which the Committee has reviewed. The Law Committee finds that the documents are in legal order for the subscription agreement to be entered into by the Retirement Board to invest in this fund, provided that the documents are completed to stipulate an investment of up to and including $15 million.**

Mr. Drake described the secondary real estate investment strategy of the fund, which is managed by Landmark, which already manages some assets in the Town's retirement fund. He commented that the Investment Advisory Committee had voted 4-0 and the Retirement Board voted 5-0 in favor of the investment.

In the discussion that followed, Mr. Ramer expressed seven (7) concerns with regard to alternative investments and pointed out that the Landmark investment would now raise TOG's position in this investment category from 28% to 36%, which he felt was imprudent.

- Landmark's background materials appear to be light on strategy
- It is not clearly expressing, i.e. not guaranteeing, that the majority of the fund's investment would be in the secondary market
- It is not clear whether their investing is a private equity fund under SEC regulatory controls or as a hedge fund
- There is open-endedness on the subject of liquidating investments
- There is no stipulation that only 30% or less of fund's assets be invested outside the US
- The investment contract does not expressly state the $15 million cap which the Investment Advisory Committee stipulated
- There is no clear expression of how the aggregated 70% of leverage is calculated
- The Fee is based on commitment not on the amount invested.

Upon a motion by Mr. Drake, seconded by Ms. Tarkington, the Board voted 10-2-0 to approve this investment of up to $15 million. (Opposed: Goldrick, Ramer)

BET Liaison Reports

None

BET Special Project Team Reports

GHS Remediation – Ms. Tarkington reported that the DPW and its environmental and legal consultants Team was working with CT DEEP and the EPA to obtain final approval for the proposed Phase 2 field remediation, and is hopeful that the response from the regulatory agencies will be received by year end. Nevertheless, the Town cannot predict what the regulatory agencies may require next.

NEW BUSINESS

Nathaniel Witherell Tax Credits Resolution – Mr. McLaughlin presented explanatory comments on Nathaniel Witherell's pursuit of Tax Credits and presented a resolution that provides authorization to complete any steps necessary to obtain and sell the tax credits and apply the proceeds to repay the CNR Fund Loan and pay the principal and interest on the Nathaniel Witherell Bonds.

RESOLUTION AUTHORIZING THE SALE OF STATE HISTORIC TAX CREDITS RELATED TO PROJECT RENEW AND APPROPRIATING THE PROCEEDS THEREOF TO THE REPAYMENT OF THE AMOUNT ADVANCED FROM THE CAPITAL NON-RECURRING FUND AND TO PAY THE PRINCIPAL OF AND INTEREST ON GENERAL OBLIGATION BONDS ISSUED FOR PROJECT RENEW.

To consider and act upon the following resolution:

WHEREAS, the Town of Greenwich, Connecticut (the "Town") is the owner of the Nathaniel Witherell Nursing Facility, a short term and skilled nursing center ("Nathaniel Witherell"); and

WHEREAS, the Town and Nathaniel Witherell have undertaken the rehabilitation, reconstruction and reequipping of the Nathaniel Witherell pursuant to a plan referred to as Project Renew; and

WHEREAS, the Nathaniel Witherell has applied for and been designated as a historic structure for State of Connecticut tax purposes; and

WHEREAS, Nathaniel Witherell has been informed that upon completion of Project Renew and the audit of the related construction costs, Project Renew will qualify for receipt of a State historic tax credit of approximately $4,490,918; and

WHEREAS, the Tax Credits are transferable and can be sold to the Connecticut Light and Power Company for approximately $4,490,918; and

WHEREAS, the Town has advanced $950,000 to Nathaniel Witherell from the Town's capital non-recurring fund (the "CNR Fund Loan") to finance Project Renew; and

WHEREAS, the Town has also issued $21,105,000 of general obligation bonds (the "Nathaniel Witherell Bonds") to finance Project Renew; and

WHEREAS, Bond Counsel has advised the Town that proceeds from the sale of the Tax Credits after repayment of the CNR Fund Loan must be used to pay the principal or and interest on the Nathaniel Witherell Bonds;

NOW, THEREFORE BE IT RESOLVED AS FOLLOWS:

Any applications, agreements or actions heretofore submitted, executed or taken, respectively, by any official of the Town or the Nathaniel Witherell are hereby ratified.

The First Selectman is hereby authorized to negotiate, execute and deliver any agreements, documents, instruments and certificates, and to take any other action necessary, to sell the Tax Credits for a price, on the terms and conditions, and at the time that he deems to be in the best interest of the Town.

The First Selectman is authorized to accept the proceeds from the sale of the Tax Credits.

The proceeds of the Tax Credits are hereby appropriated to (1) repay the CNR Fund Loan to the Town, and (2) pay the principal of and interest on the Nathaniel Witherell Bonds as such principal and interest become due to the extent of the amount remaining after repayment of the CNR Fund Loan. To the extent the proceeds from the sale of the Tax Credits exceeds the amount of the CNR Fund Loan and the principal of and interest on the Nathaniel Witherell Bonds for the fiscal year ending June 30, 2015, such excess shall be reserved and carried over to subsequent fiscal years until fully expended.

Upon a motion by Mr. Drake, seconded by Ms. Tarkington, the Board voted 12-0-0 to approve the Resolution.

<u>New Agenda Item</u>

Upon a motion by Mr. Finger, seconded by Mr. Ramer, the Board voted 12-0-0 to add an item to the Agenda.

Bonding Resolution Amendment – Mr. Finger asked Ms. Kiernan to present a Bonding Resolution Amendment.

RESOLUTION AMENDING OUTSTANDING BOND RESOLUTIONS TO REVISE THE MAXIMUM TERM OF THE BONDS AUTHORIZED THEREBY FROM FIVE TO TWENTY YEARS.

To consider and act upon the following resolution:

WHEREAS, the Town of Greenwich, Connecticut (the "Town") has adopted various resolutions heretofore ("Bond Resolutions") authorizing the issuance of general obligation bonds of the Town ("Bonds") to finance certain capital projects pursuant to the General Statues of Connecticut, as amended from time to time (the "Connecticut General Statutes"); and

WHEREAS, certain of the Bond Resolutions limit the term of the Bonds to five (5) years; and

WHEREAS, the Town desires to give the Town the flexibility to issue Bonds with a maximum term of twenty (20) years in accordance with the Connecticut General Statutes; and

WHEREAS, the Bond Resolutions provide the Comptroller with the authority to determine the annual installments of principal, redemption provisions, if any, the certifying, registrar and transfer agent and paying agent, the date, time of issue and sale and other terms, details and particulars of such Bonds, including the approval of the rate or rates of interest pursuant to the Connecticut General Statutes;

NOW, THEREFORE BE IT RESOLVED AS FOLLOWS:

The Bond Resolutions are hereby amended to provide for the issuance of Bonds maturing not later than the twentieth year after their date, in lieu of the fifth year after their date.

Ms. Kiernan explained the context, timing and need for the resolution amendment. Currently the BET and RTM pass BAN and 5 year bonding resolutions with each budget. The proposed resolution amendment would amend previously approved resolutions by providing flexibility to bond at any maturity up to 20 years. The proposal was drafted by the Town's bond counsel, Robinson & Cole, and would need to be approved by both the BET and the RTM. The timing is critical because bonding resolutions are part of the closing documents needed for the Town to finance in the capital markets each year. The Town is currently preparing to sell general obligation bonds on January 15, 2015, when outstanding BANS mature, and does not plan to go back to the capital markets until January 2016. The timing is also appropriate because of the recent end to the Federal Reserve's quantitative easing program; the consensus that interest rates will rise in 2015 and end the current opportunity to lock in historically low interest rates; the RTM Budget Overview Committee's recent memo expressing interest in longer-term financing; and the recent BET/RTM discussion around five year pay-as-you-go financing of an unexpected sewer maintenance project funded by taxing sewer district residents. The proposed bonding resolution amendment, she explained, will give the TOG flexibility to bond at any maturity up to 20 years; lower the debt service burden that taxpayers face each year; and free up cash to address other critical issues such as either lowering taxes or paying down the Town's approximately $200 million in pension and OPEB liabilities. The resolution will not authorize the issuance of additional debt or change the Town's credit rating. Ms. Kiernan emphasized the interest rate risk and the market liquidity risks inherent in a rigid 5-year bonding system, an aggressive approach that is inappropriate for a AAA municipality. Ms. Kiernan also distributed a spreadsheet that illustrated (a) how 20 year financing would lower annual debt service on a hypothetical $20 million financing and (b) how 20 year financing would lower total debt service cost to the Town using appropriate net present value calculations that are standard for finance boards and professionals. The spreadsheet also quantified the over $200,000 in transaction costs incurred by the Town for last year's bond financing, a burden that the Town faces more frequently because it utilizes 5 year financing instead of longer maturities.

In response to Ms. Kiernan's presentation of the motion prepared remarks were offered by Board members in opposition to the motion

Mr. Norton offered comments in opposition to the motion. He recited recent Greenwich history relative to the funding of capital projects: that one of the reasons the RTM was created was to address the debt situation of many years ago; the inherent problems that debt can impose; that until recent years the Town had implemented an internal financing model with certain limited exceptions; and nine years ago we implemented the current debt model with external financing for non-self-sustaining capital projects with financing limited to five year Notes and BANS. He commented on the current Debt Policy which by agreement is reviewed by the BET every two years. He believes it is imprudent to amend the current model because it will add to the total cost of every financed capital project, an additional burden on the taxpayer.

Changing the current model will allow for more capital projects and fails to recognize the infrastructure capital limitations of the Town of Greenwich bureaucracy. There is a lack of popular demand for a change to the present policy and our Credit Rating should not drive how much we can borrow, rather it should be evidence of how well we manage our business. He concluded that he will not support any change to extend our financing model for any project that lacks a revenue stream.

Ms. Weissler indicated that there were two key reasons for her opposing the proposed resolution: financing with longer-term debt will make the all-in cost of the project more expensive because interest rates for longer-term debt are more expensive than for shorter-term debt and because the interest costs would be incurred for an additional 15 years. Since 2010, the interest rate for the Town's 20-year debt has been 2% higher, on average, than its five-year debt. Second, she expressed the view that the debt policy provides a necessary fiscal discipline, noting that the Town has been able to maintain its infrastructure while funding important upgrades such as Central Fire and MISA. If the debt policy were to be liberalized, she was concerned that the temptation would be to fund the "nice to have" in addition to the "need to have" projects.

Mrs. Tarkington stated that the Town finances over a longer term than may be recognized in discussions about the Town's Debt Policy model. She used MISA as the example. Using current information about MISA, under pay-as-you go MISA would be taxed over an 11 year period. The taxpayer would have paid for 68% of the $46.1 million MISA project at this time. In contrast, under the Town's current modified pay-as-you-go method of financing MISA is being taxed over a 16 year period, and including this current fiscal year the taxpayer has paid for only 12% of the MISA project. Using MISA for this example, modified pay-as-you-go extends the financing period by 5 years. Ms. Tarkington concluded that the current modified-pay-as-you-go policy should remain in force.

Mr. Drake stated that long term borrowing can't be unlinked from long term spending. Longer duration inevitably leads to larger and larger amounts borrowed. Changing duration without re-affirming limits on borrowing is to have the easy half of the discussion, while avoiding the real decision of how much of a debt burden the taxpayer should be compelled to repay. Greenwich has a debt level that is admirably low and low debt and moderate taxes are mutually reinforcing policies. He expressed the opinion that the intention to lengthen maturities is an attempt to separate the inseparable. Mr. Drake indicated that abandoning the restraint and discipline of prior administrations would be a reckless and selfish policy change. He indicated that since earlier generations bequeathed us extensive long term assets without large corresponding debts, we should protect future generations similarly. He added the issue isn't maturities, it's debt level. The Republicans will be voting for a cleaner, simpler, safer, more taxpayer-friendly, more citizen-friendly approach.

Several of the comments presented by Messrs. Finger, Ramer, Blankley, Goldrick and Huffman in favor noted that the longer duration would allow for financing flexibility, a net present value analysis is the proper way to evaluate interest expenses over time, the motion before the BET is not an attempt to increase total debt but is to provide flexibility in bonding for currently approved capital projects, and the BET and RTM have the ultimate say in deciding when and whether to undertake or not undertake specific future capital projects. Other comments against presented by Messrs. Mason and Johnson noted that longer duration meant higher interest expense and longer duration would inevitably lead to larger debts and less spending discipline.

Mr. Mason concluded the discussion reaffirming that the Debt Policy was to be discussed in several months and, while it was a central political issue, he recommended that the long established and agreed calendar for review of this policy be followed.

Upon a motion by Ms. Kiernan, seconded by Mr. Finger, the Board voted 6-6 on the resolution amendment. Motion failed. (Opposed: Mason, Norton, Drake, Johnson, Tarkington, Weissler)

OLD BUSINESS

None

APPROVAL OF THE REGULAR BET MEETING MINUTES

Upon a motion by Ms. Tarkington, seconded by Mr. Ramer, the Board voted 12-0-0 to approve the Regular BET Meeting Minutes from October 20, 2014.

CHAIRMAN'S REPORT

Mr. Mason thanked Ms. Weissler and Mr. Ramer for attending RTM District 5′s meeting discuss firefighting event staffing and address questions. He commented that he looked forward to the next meeting's report on the fund balance.

ADJOURNMENT

Upon a motion by Mr. Blankley, seconded by Ms. Tarkington, the Board voted 12-0-0 to adjourn at 8:20 P.M.

The next Regular Meeting of the BET is scheduled on Monday, December 15, 2014 in the Town Hall Meeting Room at 6:30 P.M.

Respectfully submitted,

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Catherine Sidor, Recording Secretary

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William Drake, Clerk of the Board

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Michael S. Mason, Chairman