

BOARD OF ESTIMATE AND TAXATION
Audit Committee Minutes
Thursday, July 14, 2011 – 8:00 A.M.
Gisborne Conference Room

Present:

Committee: Arthur Norton, Chairman
William Kelly, Joseph Pellegrino, Jeffrey Ramer

Attendees: Peter Mynarski, Comptroller; Ron Lalli, Special Projects Coordinator; Aamina Ahmad, Town Attorney; Jose Irizarry, Senior Vice President, Frenkel & Co., Inc.

Others: Leslie Tarkington, BET Member; Bill Finger, BET Member

The meeting was called to order at 8:05 A.M.

Mr. Norton sited a typographical error on the agenda.

Upon a motion by Mr. Ramer, seconded by Mr. Kelly, the Committee voted 4 - 0 to amend agenda Item #5 to read "Fiscal 2011 Audit".

1. Approve Minutes of Audit Committee Meeting

Upon a motion by Mr. Ramer, seconded by Mr. Kelly, the Committee voted 3 - 0 to approve the June 9, 2011 Minutes.

2. Risk Manager Report

Fiscal 2012 Insurance Schedule

Mr. Irizarry presented the Frenkel & Company July 1, 2011 Insurance renewal schedule, and a Liability Insurance claim exhibit for the years, 2000 - 2011. This report implies reduced claim activity for 2011, however, the amounts shown are likely understated because of the timing of reported claims. This exhibit indicates claim history and losses in all TOG Departments.

Mr. Pellegrino questioned the history of claim spikes. Mr. Mynarski replied by detailing specific cases which caused these fluctuations as well as a brief review of current claims which may increase the current year's numbers.

Mr. Irizarry discussed the renewal premiums for the ten liability coverages, the multiple property, marine, and flood coverages, Nathaniel Witherell and the Bruce Museum collection with a projected fiscal 2012 cost of \$2,406,833, an increase of one hundred and ninety three (1.93) basis points from fiscal 2011. There are six policies, accident insurance and cyber liability, with September 1 renewal dates, and they have not been priced. Mr. Irizarry noted that an additional ten A+ (A. M. Best & Company) rated underwriters had been approached, and the consensus was an inability to compete on pricing. He added that a slight Town population increase, used as a pricing factor, might have caused the current premium adjustment. He noted that property insurance coverages have had premium increases. He noted further that an extensive Bruce Museum exhibit planned for this fiscal year will add to the current projected cost for that coverage. Mr. discussed briefly the Volunteer Accident premiums which are to be priced.

Mr. Irizarry noted a rate increase across the country in property coverage, with a premium of \$781,800 (seven hundred eighty one thousand eight hundred dollars), an increase of \$22,600 (twenty two thousand six hundred dollars). Flood Coverage for \$75,000 (seventy five thousand dollars) was also recommended to the Town, as a result of flood zones. Marina Coverage

listings were reviewed without any increase in premiums. Nathaniel Witherell premium decreased to \$105,020 (one hundred five thousand twenty dollars), a savings of \$4,654 (four thousand six hundred fifty four dollars), to which Mr. Irizarry attributed to the excellent controls in place at Nathaniel Witherell. Pricing for the Bruce Museum is dictated by the value of the collections declared. Mr. Irizarry added that in 2011 – 2012 an extensive exhibit is planned that will increase the premium quoted in the report. Mr. Ramer briefly discussed Volunteer Accident Coverage premium with Mr. Irizarry.

Mr. Norton asked to take out of order agenda item “Hold Harmless/Indemnification Agreements”.

Hold Harmless / Indemnification Agreements

Ms. Ahmad stated that she and John Wayne Fox were the only authors of the draft indemnification agreement distributed in the agenda packet. They plan to have the other members of the Law Department review the document. Mr. Kelly requested that specific language be added to the draft enabling parents to comprehend the nature of the risk to their child while participating in a specific activity and the use of emergency help and/or transportation if needed. Ms. Ahmad agreed to the addition and asked for time to fine tune the language.

Mr. Norton asked for Mr. Irizarry’s opinion. He stated that he will gladly assist the Law Department with indemnification agreements from other municipalities across the country. Ms. Ahmad said she will work with Mr. Irizarry and return to the BET Audit Committee’s September 8, 2011 meeting with a revised draft for review.

CIRMA

Mr. Mynarski confirmed that the Town has a 3 year contract, and a 1 year post option, with CIRMA which automatically became effective July 1, 2011. Although the Town has used CIRMA for the past 15 (fifteen) years, Mr. Mynarski stated that he would like to put out a bid in the next 6 months for the workers’ compensation portion of the contract. Currently, the Law Department works with CIRMA regarding the liability portion. Mr. Mynarski stated that he will be having a meeting with Ms. Wadler and Mr. Wayne Fox to discuss CIRMA’s liability services and investigatory process concerns.

Mr. Norton asked Mr. Irizarry for his experience with CIRMA. Mr. Irizarry stated that he has worked with Travelers many times but added that there are other very good third party administrators available to the Town, which might offer a better price for the workers compensation coverage. Mr. Mynarski noted that he would expect a learning curve with a new administrator as well as a possible new Risk Manager. Mr. Norton added that since the HR Study is still in progress, the filling of the position may be delayed till a September/October time frame.

Mr. Norton expressed the importance of cost allocation as a valid tool which ties into overtime issues. Mr. Mynarski offered to create a revised model with updated numbers but added that the BET does not use the model information which is available during the budget review. He added that he will present an updated allocation model and stewardship report for the September 8, 2011 BET Audit Meeting. Mr. Kelly stated that this information should be available to department heads during the annual review as a leadership management accountability issue.

Mr. Norton asked for the final CIRMA report to be available September 1, 2011. Mr. Irizarry stated they will be ready the first week of August 2011.

Mr. Mynarski informed the Committee that Mr. Anthony Giovannone, Financial Analyst – Finance Department, has accepted a new position in the BOE and which will begin on August 1,

2011. Currently Mr. Giovannone is participating in the Financial Assistance Review within the Department of Social Services. Mr. Mynarski continued that he has discussed with Mr. Walko, BET Chairman, the possibility of filling this opening with an Internal Auditor. Since it is a reorganizational move, Mr. Walko stated that the move must go before the BET HR Committee for approval. Although it appears as a win for the Finance Department, Mr. Mynarski stated that it will probably have a 2 to 4 month delay.

3. Internal Audit Report

Police Administrative Support Function

Mr. Lalli confirmed that the Police Department payroll consolidation will be being October 1, 2011. He noted a large amount of discussion from this last major department to consolidate, but the move was agreed to by the Police Chief. Mr. Lalli added that most of the Police Department's concerns centered on the lack of a payroll person being physically present in the department to field questions.

Greenwich Fire Department Volunteers

Mr. Lalli stated that presently he does not have a report available due to the vacation schedule of the Fire Department's Volunteer Coordinator. One of his findings may be to recommend more extensive use of the Fire Department's "Fire House Software". Mr. Lalli stated that hopefully a report will be completed in September which will include his recommendations.

Vehicle Use Policy and Procedure

Mr. Lalli stated that he will wait for the return of teachers in September before submitting a final audit of driver license information from the BOE, possibly in November. He stated that he will delay the review of the licenses with the NY and CT DMV's to afford the BOE the ability to provide a final list after the BOE employees have returned in September.

Building Inspection Audit

Mr. Lalli reminded the Committee that the last audit was completed in 2005. He stated that after studying recent trends, he will proceed to review numerous high value permits to gather information. Hopefully an October presentation date will be made.

Marina Audit

Mr. Kelly requested a Marina Audit update for the September Audit Meeting.

4. Debt and Fund Balance Policy Discussion

Mr. Mynarski distributed updated copies of the Fund Balance Policy and the Debt Policy, noting minor grammatical changes, including some submitted by Ms. Tarkington, had been made. He continued that he has proposed that the policies be separated into two separate documents, which would possibly speed the approval process. While Mr. Pellegrino and Mr. Kelly agreed with the proposal, Mr. Norton expressed his concern over the exposure to risk.

Upon a motion by Mr. Ramer, seconded by Mr. Pellegrino, the Committee voted 3 - 1 to handle the policies as follows:

1. Submit Fund Balance Policy recommendation to the full BET
2. Review Debt Policy, while holding back on exact dollar amounts
3. Open a dialogue regarding range of numbers and ratios that encompass the figures.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 4 - 0 to adopt, as amended, the Fund Balance Policy by removing repetitive language on Page 1 and updating the first paragraph under "I) Fund Balance Policy" to read " The primary objective of a fund balance policy is to establish a target range for the end-of-year balance of the Town's General Fund, combined

with the Capital and Non-Recurring and Risk Funds, as a percentage of operating expenditures for the upcoming Fiscal Year.”

Mr. Finger located a typographical error on Page 2 - capitalization of “Recurring” in first paragraph. Ms. Tarkington also noted an extra “.” in the first bullet on Page 2. An extensive group discussion followed regarding the last paragraph “The Target”.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 4 - 0 to adopt, as amended, the Fund Balance Policy with a revision of the last paragraph to include the definition of the Unassigned Fund Balance, in parentheses within the first sentence, as stated in GASB 54.

Mr. Finger requested that the word “target” be stricken in three locations:

1. In the “1) Fund Balance Target Policy” heading
2. In the first sentence of the following paragraph
3. In the first paragraph, Page 2, second sentence.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 4 - 0 to adopt, as amended, the Fund Balance Policy removing the word “target” in the three locations.

Ms. Tarkington recommended, while Mr. Norton agreed, on the omission of the last sentence, third paragraph on Page 2.

Upon a motion by Mr. Ramer, seconded by Mr. Pellegrino, the Committee voted 4 - 0 to adopt, as amended, the Fund Balance Policy with the deletion of the last sentence, third paragraph on Page 2.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 4 - 0 to adopt, and recommend to the BET, the Fund Balance Policy.

Upon a motion by Mr. Ramer, seconded by Mr. Pellegrino, the Committee voted 4 - 0 to consider the Debt Policy.

Mr. Ramer noted a typographical error in the second bullet “policies”. Ms. Tarkington requested that the word “practical” be replaced with “possible” and “rating” be replaced with “ratings” in the third bullet. In the fifth bullet the language was changed to read “Maintain measures of affordability”.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 4 - 0 to accept the above language changes to the Debt Policy.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 4 - 0 to remove “of obligation” from the second paragraph of the Debt Policy and replace with “indebtedness”.

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 4 - 0 to delete the last sentence in paragraph five “Section II Fund Balance Target Policy will guide the use of fund balance.” from the Debt Policy.

Ms. Tarkington requested Mr. Mynarski to change the language in the first diamond and bullet on Page 2 to reflect what language was approved by the Budget Committee. A motion was made by Mr. Pellegrino and seconded by Mr. Ramer for this change to be adopted although no vote was taken.

Mr. Finger notes two other typographical errors: "D) Debt Structure", second paragraph, Page 2 first sentence should be "years", second error "G) Rating Agencies", third sentence should be "from".

Mr. Pellegrino began a group discussion regarding language of the policy on Page 2. As a result, the second diamond item on Page 2 was rewritten as "'Maintain a maximum Town of Greenwich total short and long-term debt of no more than X million dollars which currently represents X dollars per capita and Z% of the Grand List as set forth in the short and long-term obligation footnote contained in the Town's CAFR (Comprehensive Annual Financial Report)."

An in depth discussion followed regarding the ceiling numbers of the short and long-term debt outstanding balances.

Upon a motion by Mr. Pellegrino, to set a total short and long-term debt outstanding balance ceiling of \$210,000,000 (two hundred ten million dollars) from the Debt Policy. Mr. Ramer called a question and the Committee voted 2 – 2. Motion failed.

Upon a motion by Mr. Pellegrino, seconded by Mr. Kelly, the Committee voted 4 - 0 to accept the Debt Policy, with amended language and without dollar amounts.

5. Fiscal 2012 Audit

Item not discussed.

6. Old Business Item Review

Item not discussed.

7. Items for Discussion future BET Audit Committee Meetings

Item not discussed.

8. Adjournment

Upon a motion by Mr. Pellegrino, seconded by Mr. Ramer, the Committee voted 3 - 0 to adjourn the meeting at 10:50 A.M. Mr. Kelly had left the meeting at 10:35.

Arthur D. Norton, BET Audit Committee Chairman

Elaine JV Brown, Recording Secretary