

TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
DEBT AND FUND BALANCE WORKING GROUP

MINUTES – Gisborne Room, 1st Floor, Town Hall

Thursday, July 20, 2017

Working Group Committee: William Drake, Leslie Moriarty, Jeff Ramer, Nancy Weissler

Others: Peter Mynarski, Comptroller; Michael Mason, BET Chairman; Leslie Tarkington, BET Member; John Dolan, RTM Member

The meeting was called to order at 2:00 P.M.

1. Review and Approval of the Debt and Fund Balance Policy Working Group Minutes of June 26, 2017

On a motion by Mr. Ramer, seconded by Ms. Moriarty, the June 26, 2017 minutes were approved on a vote of 4 to 0.

2. Discussion and possible vote on the Fund Balance Policy Recommendation

The Working Group started the discussions with a review of the proposed edits of the Fund Balance Policy from the June 26, 2017 meeting. A couple of minor grammatical edits were proposed.

Attention was then directed to “The Target” section of the Fund Balance Policy. Ms. Weissler asked Mr. Mynarski to explain the “BET Fund Balance Ratios” document that he prepared and distributed. Mr. Mynarski noted that the two-page document listed a three-year period of activity detailing the fund balances of the General Fund, Capital & Nonrecurring and Risk Funds. He also stated that the General Fund balance for June 30, 2017 is stated on a Generally Accepted Accounting Principles (GAAP) basis and was preliminary and unaudited. Mr. Mynarski explained that the Town of Greenwich’s accounting records are kept on a budgetary basis and that results to date indicate a modest surplus of less than \$1 million dollars for the General Fund. He added the other two fund balances should not change. Based on the results to date, Mr. Mynarski detailed for the Working Group the following:

- **General Fund** – the preliminary estimated General Fund balance on a GAAP basis will end up with a slight increase and be close to the June 30, 2016 audited balance of \$56.2 million. However, the June 30, 2017 fund balance will see a significant shift from “Assigned” to “Unassigned” status. Mr. Mynarski cited two reasons for the shift. 1) the Use of Fund Balance declined from \$19,741,000 to \$11,598,810 from year-to-year. 2) the Encumbrance balance declined from \$11,129,368 to approximately \$9,300,000.
- **Capital & Non-Recurring Fund** – Mr. Mynarski pointed out that the balance from year-to-year increased from \$8,025,238 to \$10,005,237. In addition, he stated that there is another \$1.6 million of Superstorm Sandy FEMA reimbursements that are expected shortly, which will increase the balance to over \$11 million. He suggested that the BET develop a strategy on utilizing this ever-increasing fund balance.

- **Risk Fund** – the fund balance increased from \$2,070,799 to \$2,518,910 for the year ending June 30, 2017. Mr. Mynarski cautioned the Working Group and other BET members in attendance that this fund has the potential to be at risk of being depleted if a number of current lawsuits are settled unfavorably.

As a result of the aforementioned details, Mr. Mynarski stated that the combined fund balances would be at 11.3% of General Fund budgeted expenditures -- outside of the BET Fund Balance Policy target of 5% to 10%. Ms. Moriarty asked for a clarification on what the components were of the "Assigned" portion of the General Fund Balance. Mr. Mynarski explained that the Assigned portion consists of 1) Use of Fund Balance and 2) Year-End Encumbrances.

There was an extended conversation among the Working Group members and those noted as being in attendance about whether to expand the target range to 15%. There was a consensus among Working Group members to retain the 5% to 10% for the following reasons: 1) the risk of a financial burden imposed by the State; 2) the potential for large risk fund settlements; and 3) the risk that the State could mandate a costly soil remediation program at GHS outside of the annual budget cycle. As a result of these discussions, Ms. Weissler made a motion to recommend to the full BET keeping the Target Range the same and to incorporate the mutually agreed upon grammatical edits, seconded by Mr. Ramer. The vote was 4 to 0 in favor to forward the Fund Balance Policy to the BET for approval at its September 2017 meeting.

3. Discussion of the Debt Policy

Mr. Mynarski distributed a "Debt Policy Metrics" document that was requested by Ms. Moriarty. He explained that document consisted of two years of actual statistics and three years of projections. Mr. Mynarski told the Working Group that in addition to the three metrics contained in the current Debt Policy and listed on this document, he added a fourth and fifth metric that are commonly accepted by the Credit Rating Agencies.

For the remainder of the meeting, the discussions centered on the first metric only, which was that annual debt service not exceed 70% of the Annual Capital Tax Levy. The document shows that annual debt service currently exceeds the 70% limitation and future years project the same. There was no general consensus on how to deal with the matter and Ms. Weissler suggested revisiting this metric at the next meeting.

4. Future Agenda Items

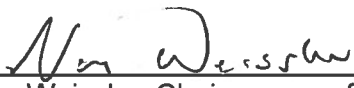
It was agreed that Mr. Drake and Ms. Moriarty would work with Roland Gieger, Budget Director, to review the current 15-year Capital Budget Model contained within the Annual Budget Book and have Mr. Gieger attend the next Working Group meeting. Collectively, they would provide the Working Group with different scenarios.

5. Adjournment

On a motion by Mr. Ramer, seconded by Mr. Drake, the meeting adjourned at 3:35 P.M.



Peter Mynarski, Recording Secretary



Nancy Weissler, Chairwoman of The Working Group