MINUTES of the regular meeting of the Board of Estimate and Taxation held on Monday, September 24, 2015 in the Town Hall Meeting Room, Greenwich, CT.

Chairman Michael Mason called the meeting to order at 6:34 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; Tim Garian, Commercial Appraiser, Eugene McLaughlin, Assistant Town Attorney; Jeffrey Freidag, Superintendent of Marine & Facilities Management

Selectmen: Peter Tesei, First Selectman; Drew Marzullo, Selectman

Other: Barbara O'Neill, Chairman, BOE; Debbie Appelbaum, Member, BOE; Beth Krumeich, BET candidate; James Lash, BET candidate; John Chadwick, Chairman, Retirement Board

Mr. Mason opened the meeting by welcoming the Board Members and guests. He asked Mr. Drake to present the Routine Applications for budget adjustments.

**ROUTINE APPLICATIONS**

<table>
<thead>
<tr>
<th>PD1</th>
<th>Police</th>
<th>Approval to Use</th>
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<tr>
<td>$27,200</td>
<td>F21714 51100, 57050, 53550</td>
<td>Speed Enforcement Program</td>
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Upon a motion by Mr. Drake, seconded by Mr. Johnson, the Board voted 12-0-0 to approve the Application.

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HD-2  Health  Approval to Use
$45,377  F4038 51300 & 57050  PHEP – Grant

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

NON-Routine APPLICATIONS

Mr. Mason asked Mr. Johnson for a report from the Budget Committee on Non-Routine applications.

PR-1  Parks & Recreation  Additional Appropriation
$48,000  Z833 59300  Replace Island Beach Generator

Mr. Johnson informed the Board that although Parks & Recreation had attempted to repair the Generator, it had become necessary to rent a substitute for the last six weeks of the summer season. In order to have a replacement generator installed before next summer, it was necessary to purchase one before the end of FY16.

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

PR-2  Parks & Recreation  Additional Appropriation
$15,000  Z834 59260  Replace steel Work Boat

Mr. Johnson remarked that funds had been voted in FY15 for the acquisition of a used boat. Although one had been actively sought, a satisfactory one had not been found. P&R had tested a model of a new boat and requested the additional appropriation to purchase it and a new motor. The supplement of $15,000 combined with the FY15 appropriation would cover the cost of the new boat. 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.

PW-1  DPW  Release of Conditions
$1,450,000  B345 59830 16157  Byram Pool Master Plan Construction

Mr. Johnson commented that the original conditions for release approved up to $1.6 million for demolition. Bids were received below the amount of the original allocation. Mr. Monelli was complimented on finding a range of bidders for the project. Because estimates were calculated before basic input from vendors, the Budget Committee discussed reducing the amount to be released based on a lower winning bid. The Committee voted 4-0 to reduce the allocation and release $1.45 million which includes a 20% contingency.

Mr. Mason asked Mr. Gieger to send documentation of bids for this Release of Conditions to the RTM so that they would have background information on how the decision on the amount was reached. Mr. Ramer addressed attendees and the television audience emphasizing that this change was not a reduction of funding for the project but in response to lower bids than originally estimated on this portion of the work.
Upon a motion by Mr. Johnson, seconded by Ms. Tarkington, the Board voted 12-0-0 to approve the Application.

ASSESSOR’S REPORT

Ms. Elliot updated the Board on the real estate property revaluation process and requested a 30-day extension beyond the due date of November 2, 2015. She remarked that in her previous Assessor positions in other towns, the extension had been granted routinely by the Selectmen to allow time for informal interviews with homeowners to reduce the number of appeals which the Board of Appeals might be required to hear. Ms. Tarkington added that for the last 3 Town revaluations in 2002, 2005, and 2010, Greenwich had requested the one month extension, which she and Mr. Finger considered to be resident (customer) friendly, and that they recommended approval.

Upon a motion by Ms. Tarkington, seconded by Mr. Ramer, the Board voted 12-0-0 to approve the request for 30-day extension.

Ms. Tarkington asked the BET to recognize Mr. Shipman’s recent promotion and reclassification of his position as M & C. Mr. Norton asked if any additional outstanding litigation had been resolved; Ms. Elliot indicated that additional appeals had been settled but that she had not yet received the final stipulation documents and could not report them at this time.

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

COMPTROLLER’S REPORT

Mr. Mynarski updated the Board on the status of the ADP implementation and described the attention that the project was currently receiving with the Steering Committee and its sub Committee meeting regularly. He reiterated that Reconciliation of the General Ledger and Treasurer’s report had greatly improved, although issues were still outstanding — manual data entry on time sheets, time clock shortages, resistance to change and training to produce management reports.

Ms. Weissler thanked Finance, HR and the BOE for the huge work effort invested so far. She noted that Finance and the BOE have come up with a solution to address the BOE General Ledger interface problems. Ms. Kiernan asked Mr. Mynarski to comment on any impact he foresaw as audit issues. Mr. Mynarski indicated that the auditors were scheduled to begin testing on September 21 and depending on the payroll period and employees selected, errors could show up during testing that would require expanding the number of employee records for testing. A draft of the Audit should be ready by November and a Management Letter by December.

Upon a motion by Mr. Mason, seconded by Mr. Johnson, the Board voted 12-0-0 to accept the Comptroller’s report.

ACCEPTANCE OF THE TREASURER’S REPORT SHOWING INVESTMENT PORTFOLIO ACTIVITY FOR JUNE 2015
Upon a motion by Mr. Norton, seconded by Mr. Johnson, the Board voted 12-0-0 to accept the Treasurer’s report.

**BET Standing Committee Reports**

**Investment Committee** – Mr. Ramer commented on the Investment Committee Report and said that the Law Committee had approved levels of investment in certain funds that differed from the report, but the topic would be discussed under New Business.

**BET Liaison Reports**

**CIP Capital Improvement** – Mr. Tesei informed the Board that this year Committee membership was in transition and new members would be joining in the next three months and would need to be brought up to speed on major issues. The CIP process will be driven by the Executive branch because the projects are discretionary and can be changed. The Town Administrator has already begun reviewing the current 15 year plan and asking Departments to prioritize their requests.

The initial objective would be to look at projects previously committed and determine if they are still priorities and any regulatory obstacles delaying implementation; secondly, it would be a time to review the FY17 projects to see what might be modified; thirdly, it was timely to decide what is maintenance and what requires Capital Equipment replacement; finally, it would be important to bring the BET, RTM and BOE into the discussion.

Mr. Goldrick offered to share a spreadsheet that he and Mr. Huffman had developed which showed baseline costs of committed projects that might assist in examining CIP projects.

**BET Special Project Team Reports**

**Labor Contracts** – Mr. Cava was in the midst of contract discussions and Ms. Kiernan noted that progress could be reported to the RTM on its October Call.

**Parsonage Cottage** – Mr. Johnson reported that the examination process was gathering information which could possibly be ready in October. Mr. Mynarski described the process as an operational review for which 2014 financials were not yet audited. He anticipated that Parsonage Cottage financials would be ready for BET review in November and RTM consideration in December.

**MISA** - Ms. Tarkington reported that music students moved into the new instructional space on September 14. The MISA Committee was working on getting regulatory approvals from Hartford prior to demolishing the old classrooms and auditorium, and expected work to begin shortly.

Mr. Goldrick asked if it was timely to discuss the school lunch program deficit. Mr. Johnson responded that it was scheduled to be discussed at October 15th Budget Committee meeting; Mr. Finger recommended holding off until the BOE had an opportunity to make its recommendation.

**NEW BUSINESS**

- Approval of proposed side letter to Retirement Board investment in Landmark
Real Estate Fund VII

Mr. Ramer noted that a proposed sice letter relating to this investment had been obtained, strengthening the rights of the Retirement Board. Mr. Ramer reported that the Law Committee voted 2-0 to approve the side letter in November 2014.

Upon a motion by Mr. Ramer, seconded by Ms. Tarkington, the BET voted 12-0-0 to approve the Retirement Board side letter with Landmark.

- Approval of the GAM Unconstrained Bond Fund for a maximum investment of $40,000,000 (forty million dollars)

Mr. Drake remarked that due to the low interest rate environment, the Retirement Board was anticipating an increase in rates, and was seeking to position the fund assets accordingly. The GAM Unconstrained Bond Fund and the Loomis Sayles Strategic Alpha Fund were similar in nature.

The Board discussed whether the GAM fund should be considered a portion of the fixed income component of the Retirement Board portfolio. Ms. Weissler commented that the Investment Policy Statement provided that the overall average quality of each global fixed-income portfolio shall be A or higher. She inquired whether GAM presently met this standard. Ms. Weissler and Mr. Ramer questioned whether it is better to take additional risk to achieve the target 7% return or to reduce the risk and the target return. Mr. Chadwick responded that now funds contained hedges and derivatives to protect the value of the assets. Mr. Drake noted that NEPC, the Retirement Board’s consultant had written that funds such as GAM and Strategic Alpha were conservative fixed income funds which provided a useful diversification away from the risks which befall bond portfolios when rates rise. Ms. Weissler noted that the NEPC report indicated that unconstrained bond funds had been around for about three years and therefore not been tested in a rising rate environment.

Mr. Ramer reported that the Law Committee voted 2-0 that the legal document were in order, but asked for the Town attorney’s opinion on whether the funds met the constraint of 25% fixed income portfolio guidelines, which had not yet been received. Mr. McLaughlin confirmed to Ms. Tarkington that the Law Department would provide their opinion, that this investment does not qualify for inclusion in the 25% restricted portion of the Retirement Fund.

Upon a motion by Mr. Drake, seconded by Ms. Tarkington, the BET voted 9-3-0 to approve an investment of up to $40 million in the GAM Unconstrained Bond Fund. (Opposed: Weissler, Ramer, Goldrick) with documentation from the Law Department to follow.

- Approval to increase the maximum investment in the Loomis Sayles Senior Loan Fund and Loomis Sayles Strategic Alpha Fund to $40,000,000 (forty million Dollars) each

These two funds had previously been approved at smaller amounts and are in the Retirement Board’s portfolio. Mr. Drake noted that the request was to provide an upper limit for the investment level in the two funds, so that the Retirement Board could carry out their task of
making tactical investment allocations among these approved investments without the additional work, delay and lost income associated with returning to the BET each time an increase was appropriate. Mr. Ramer noted that the Law Committee had approved a $13 million and $10 million investment respectively on a previous occasion and this change was a substantial increase. He questioned whether the Town Attorney should review existing Agreements or amend the Agreement. Mrs. Tarkington stated that the Law Committee had not yet been requested to review the documentation for the larger investments.

Upon a motion by Mr. Ramer, seconded by Ms. Tarkington, the BET voted 7-5-0 to defer approval of the increased investment in the Loomis Sayles funds until the October meeting. (Opposed: Drake, Finger, Norton, Blankley, Johnson)

• Approval of the Resolution Concerning Cash Management

Mr. Drake reported that the Town was seeking better cash management instruments than the current very low rates earned. The Town Controller and Treasurer have carried out a thorough analysis of a managed program of investing in bank CDs. These CDs would be in amounts less than the $250,000 per depositor limit on Federal Deposit Insurance. Mr. Drake indicated that the recommendation is for an initial total investment of $10 million which would increase earnings by $68,000. The IAC voted 3-1 to approve the program.

The Board asked for information about the credit risk of the CDs, the investment firm offering the program, Alvarez & Marsal, the banks offering the CDs and the utilization of the program by other states and municipalities. Mr. Mynarski provided background and answered the Board’s questions. He commented that the Cash Management Resolution responded to all the issues being discussed. It was noted that the Agreements will have legal review. Ms. Tarkington asked about the credit rating of a U.S. Bank entity which would hold the CD’s, and Mr. Mynarski stated it is investment grade.

Upon a motion by Mr. Drake, seconded by Ms. Tarkington, the BET voted 11-0-1 to approve the Cash Management Resolution. (Opposed: Norton).

2016 BET Meeting Calendar

Mr. Mason asked the BET to review the draft calendar that was included in the meeting materials. He pointed out that in more than one instance, the timing of the BET meeting was scheduled to precede RTM meetings. He asked for comments before a vote on the calendar at the October meeting.

OLD BUSINESS

Debt Policy Biannual Review

Mr. Mason thanked the Working Group (Finger, Kiernan, Weissler, Drake) for their diligent review of the Policy and noted that the vote on two resolutions had been 2-2.

Mr. Finger asked the Board to approve a Policy that would provide the BET with flexibility to fulfill its charge to make decisions determining the maturity of bonds and cited examples of current projects that had bond maturities of 20 years, such as Nathaniel Witherell and Sewer
Improvement. Ms. Kiernan noted that the Republican proposal did not follow GFOA and credit rating agency best practices by setting and exceeding a fixed debt ceiling; by ignoring the relationship between the growth of debt and the Town’s tax base; by using a ratio of debt service to capital tax levy that the comptroller has advised to remove and that no other community or rating agency recognizes; by requiring 5 year bonding at all times, limiting the flexibility of the town to respond to market conditions and changing demands for capital projects; by inserting unnecessary rigidity into the policy when rating agencies and best practices recommend flexibility; and by proposing a rigid and constant tax increase in the capital tax levy with no connection to the demand for projects, fund balance, grand list fluctuations or the mill rate. The Democratic proposal, she explained, requires a modest debt level limited by the debt service coverage ratio that will not overwhelm the funding of basic municipal services; provides flexibility in bonding maturities instead of increasing the debt ceiling; offers a potential tax savings of 1% of the proposed mill rate increase for FY ’17; provides a cost savings opportunity versus the current five year bonding when net present value calculations are performed; matches the Town’s capital assets with associated liabilities, which is a best practice in the municipal and private sector; proposes that all users of a long-term capital assets such as the fire station contribute to its financing instead of saddling current taxpayers with high debt service for five years; enables the BET and the Finance department to make decisions and exercise discipline over the management of our debt portfolio; and provides flexibility for the Town to respond to changes in interest rates, as well as fluctuations in the demand for capital projects, the grand list and the Town’s fund balance. Ms. Kiernan proposed improving the BET’s analytical tool by expanding the Capital Asset Funding Model to four simultaneous dimensions that integrate projections debtmetrics, fund balance, operating expenses, and the mill rate, with an implicit projection of the grand list.

Ms. Weissler noted that Ms. Kiernan’s proposal would have resulted in higher interest cost because 20-year rates are consistently higher than 5-year rates and the interest costs are incurred for a longer period of time. She also noted that the Drake/Weissler debt policy limit provided additional needed fiscal discipline and that under the current policy the Town had maintained its infrastructure and funded important capital upgrades. She cited the $300 million invested in capital in the past 10 years. She noted that under the Finger/Kiernan proposal debt could more than double to over $400 million. This is in addition to the $200 million of unfunded pension and OPEB liabilities the Town has. She expressed the concern that under a more liberal debt policy the temptation would be to fund the “nice to have” projects in addition to the “need to have” ones.

Mr. Mason suggested that the Democratic and Republican BET caucuses needed to examine the proposal with a historic perspective and calculate how much debt TOG would be carrying if it had followed any other course then the current careful one.

Upon a motion by Mr. Finger, seconded by Ms. Kiernan, the Board voted 6-6 to approve the draft Debt Policy proposed by Mr. Finger and Ms. Kiernan. Motion failed (Opposed: Mason, Norton, Johnson, Drake, Weissler, Tarkington)

Upon a motion by Mr. Drake, seconded by Mr. Norton, the Board voted 7-6 to approve the draft Debt Policy proposed by Mr. Drake and Ms. Weissler. Motion passed. (Opposed: Finger, Kiernan, Ramer, Blankley, Huffman, Goldrick)

Upon a motion by Ms. Weissler, seconded by Mr. Norton, the Board
voted 7-6-0 to approve an amendment by Ms. Weissler to reduce the Debt Policy limit in the approved Policy on page #2 from $280 million to $245 million and to remove the clause about the Equalized Grand List. (Opposed: Finger, Kieman, Ramer, Blankley, Huffman, Goldrick)

OPEB Trust Board Nomination – Joseph Pellegrino

Mr. Mason clarified that the vote being taken for the nomination of Mr. Pellegrino to the OPEB Board had not been clearly expressed on the previous meeting's Agenda. Mr. Drake reiterated the IAC report concerning Mr. Pellegrino and its favorable vote of 3-1.

Upon a motion by Mr. Mason, seconded by Ms. Tarkington, the Board voted 10-2-0-0 to approve the appointment of Mr. Pellegrino to the OPEB Board. (Opposed: Huffman, Goldrick)

Approval of the BET Meeting Minutes

Approval of the BET Meeting Minutes of the BET Meeting of July 20, 2015

Upon a motion by Ms. Tarkington, seconded by Mr. Ramer, the Board voted 12-0-0-0 to accept the Regular BET Meeting Minutes of July 20, 2015.

CHAIRMAN’S REPORT

Mr. Mason asked Mr. Drake to provide details of Greenwich’s 375th Anniversary Parade taking place on September 27. Additionally, he noted that a Harbor Management Plan was being developed and would be seeking an appropriation. He would attend a Round Hill Association meeting which discussed the new real estate assessment; and, also will meet with the League of Women Voters on the subject of the RTM.

ADJOURNMENT

Upon a motion by Mr. Blankley, seconded by Ms. Weissler, the Board voted 12-0-0 to adjourn at 9:40 P.M.

The next Regular Meeting of the BET is scheduled on Monday, October 19, 2015 in the Town Hall Meeting Room at 6:30 P.M.

Respectfully submitted,

Catherine Sidor, Recording Secretary

William Drake, Clerk of the Board

Michael S. Mason, Chairman

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