

**BOARD OF FINANCE
TOWN OF BRANFORD, BRANFORD, CONNECTICUT 06405**

JOSEPH W. MOONEY, CHAIRMAN
VICTOR J. CASSELLA
ROBERT IMPERATO
CHARLES F. SHELTON, JR.
JEFFREY E. VAILETTE
LORRAINE K. YOUNG



EX-OFFICIO
JAMES B. COSGROVE,
First Selectman

CLERK
LISA E. ARPIN, CCTC
Town Clerk

TOWN CLERK'S OFFICE
BRANFORD, CONNECTICUT

2017 DEC - 8 A 11:51

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**BOARD OF FINANCE MEETING MINUTES
November 27, 2017**

The meeting was called to order by Chairman Joseph Mooney at 7:30 p.m. at Fire Headquarters, 45 North Main Street. Board of Finance members present were: Victor Cassella, Robert Imperato, Charles Shelton, Jeffrey Vailette and Lorraine Young. Also in attendance were First Selectman Jamie Cosgrove, Finance Director Jim Finch and Town Clerk Lisa Arpin. RTM reps in attendance were Peter Black, Don Conklin, Dennis Flanigan, Ray Ingraham.

1. Chairman Mooney requested approval of the minutes of the September 25, 2017 meeting. Mr. Shelton made the motion, seconded by Mr. Vailette. Vote unanimous.
2. Citizens Communications –None
3. The Board heard a presentation from GYL Financial Synergies and Hightower Advisors with regard to the performance of the Town's police pension plan for the quarter ended September 30, 2017. Charles Andriole, Michael LePore and Robert DeLucca touched on market environment, overall allocation of the funds and highlights. The ending market value at September 30, 2017 was \$23,473,400, and since the end of the quarter, there has been a 1% increase. We are spot-on with the policy, so there is no recommendation to rebalance the portfolio at this time.
4. The Board heard a presentation from GYL Financial Synergies and Hightower Advisors with regard to the performance of the Town's volunteer fire incentive plan for the quarter ended September 30, 2017. The ending market value at quarter-end was \$1,033,130; since the end of the quarter there has been a slight increase in the market of just over 1%. There is no recommendation to rebalance the portfolio at this time.
5. The Board heard a presentation from GYL Financial Synergies and Hightower Advisors with regard to the performance of the Town's Other Post-Employment Benefits (OPEB) Trust for the quarter ended September 30, 2017. Market value at the end of the quarter was \$13,713,150, and since the end of the quarter, the OPEB has shown about a 1% increase. Since we did rebalance after the last meeting and deployed the majority of the available cash, we are on target with policy, and there are no recommendations to rebalance. Chairman Mooney requested that Jim Finch send a copy of the pension policies to all Board members as a refresher.

6. Finance Director, Jim Finch gave a presentation on a proposed a funding policy for Other Post-Employment Benefits. He referenced a previously distributed memo dated 11/22/17 with the proposed verbiage for the funding policy (attached). A Q&A discussion followed and First Selectman Jamie Cosgrove offered his input. Mr. Valette made a motion to approve the funding policy, seconded by Mr. Imperato. After discussion, Chairman Mooney asked for a motion to amend the second bullet point on page two under "Methods and Assumptions" to have the Actuary correct the erroneous verbiage. Mr. Cassella made the motion to amend the motion, seconded by Ms. Young. Vote unanimous. Chairman Mooney asked for a vote subject to the amendment – motion made by Mr. Imperato, seconded by Ms. Young. Vote unanimous to adopt the funding policy as amended (attached).

RESOLVED: That the Board of Finance hereby adopts the funding policy for Other Post-Employment Benefits (OPEB) as per the attached.

7. Finance Director Jim Finch addressed the Board concerning the State budget and the impact on Branford and reviewed his attached memo. FYI: The State Bonding Commission meets on 11/29/17 to determine the outcome of Walsh School state-level funding.
8. To consider and act on the following proposed resolution:

“RESOLUTION AMENDING THE \$150,000 STONY CREEK BOND RESOLUTION AND REALLOCATING UNEXPENDED STONY CREEK PROJECT BOND PROCEEDS TO THE RESTROOM TRAILER PROJECT”

(The purpose of the amendment is to decrease the Stony Creek bond authorization from \$150,000 to \$15,000; reallocate previous Stony Creek bonds

and proceeds to, and decrease the authorized and unissued bond amount for, the Restroom Trailer Project; and ratify, confirm and adopt all prior authorizations and resolutions in connection with both Projects.)

and to recommend the resolution for adoption by the Representative Town Meeting.

Chairman Mooney introduced the proposed resolution. Mr. Cassella made a motion to waive the reading of the entitled resolution and incorporate its full text into the minutes of the meeting, seconded by Mr. Valette. Motion passed unanimously. Mr. Imperato made a motion, and Mr. Cassella seconded that the resolution be adopted. The vote was unanimous to approve the resolution and recommend adoption by the RTM.

9. To consider, and if appropriate, approve the 2018 Meeting Schedule.
Town Clerk Arpin noted an error in the May meeting date which should be corrected from May 28 to May 21 due to Memorial Day. Mr. Cassella made the motion to approve, seconded by Mr. Shelton. Vote unanimous to approve the meeting schedule as corrected and attached hereto.

10. Adjournment—Chairman Mooney adjourned the meeting with no further business to be conducted. Motion by Ms. Young, seconded by Mr. Valette. Vote unanimous – meeting adjourned at 8:50 p.m.

Dated this 8th day of December, 2017



Lisa E. Arpin, CCTC
Clerk, Board of Finance

OFFICE OF THE TREASURER
BRANFORD, CONNECTICUT



1019 MAIN STREET
POST OFFICE BOX 150

(203) 315-0663
FAX (203) 315-3736
WWW.BRANFORD-CT.GOV

Date: November 22, 2017
To: Joseph Mooney
Board of Finance
From: James P. Finch
Re: OPEB Funding Policy

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2017 NOV 27 A 8:39
TOWN CLERK'S OFFICE
BRANFORD, CONNECTICUT

At previous Board of Finance meetings, I noted that the changing GASB standards related to other post-employment benefits (OPEB) will require the Town to develop an OPEB funding policy. Additionally moving forward the town will have to recognize the liability on the balance sheet. As the Board may recall, we experienced a similar challenge in 2014 when we developed and approved the pension funding policy. The purpose of the policy is needed to provide clarity about the Town's intentions related to future OPEB contributions. Additionally the policy allows the recognition of future Town contributions in determining the appropriate long-term investment rate of return for GASB reporting.

I recently drafted a policy which was reviewed and amended by our actuary and is attached for your approval. Additionally the RTM as an appropriating body will need to approve the policy.

Cc Jamie Cosgrove
RTM Members

Town of Branford Other Post Employment Benefit (OPEB) Funding Policy Draft – BOF -11/27

The purpose of this funding policy is to identify the overall funding goals for the OPEB Trust Fund, (The Fund) including the benchmarks that will be used to measure progress in achieving those goals, and the methods and assumptions that will be employed to develop the benchmarks.

I. Funding Goals

The objective of the Fund is to accumulate sufficient assets to fund future benefits in an equitable and sustainable manner.

- To maintain a stable or increasing ratio of Fund assets to accrued liabilities, with the objective of obtaining a 100% funding ratio in order to finance benefits promised to participants.
- To maintain contribution goal of 100%, but in all cases contribute no less than 80% of the actuarially determined contribution (ADC) using the Entry Age Actuarial Cost Method.
- To provide intergenerational equity for taxpayers with respect to the Fund's cost.

II. Benchmarks

To measure progress in achieving the funding goals outlined above, the Fund will use the following benchmarks:

- A funding ratio will be calculated using actuarial value of assets divided by the Fund's Actuarial Accrued Liability.
- An analysis that compares the relationship of Actuarial Value to Market Value in which the Actuarial Value is constrained to be within 80% to 120% of market value.
- Contribution amounts should be relatively stable and equitably allocate the costs over the participants' period of active service.
- The Actuarial Accrued Unfunded Liability shall be amortized over a period which provides for intergenerational equity.

III. Methods and Assumptions

- An actuarial valuation will be performed every two years to evaluate the performance of the fund relative to the established benchmarks. The valuation will be used to determine the appropriate contribution levels.
- The actuarial funding method used to develop the benchmarks and calculate the actuarial determined ADC will be the entry age normal method (EAN) method as required by the Governmental Accounting Standards Board.
- The Fund will use an asset smoothing method of five years to recognize gains or losses in OPEB assets as a method to reduce the impact of market volatility on the ADC.
- The assumed rate of return is currently 6.75% per year net of investment expenses and may be adjusted to reflect changes in the fund's asset allocation and capital market assumptions.

Adopted

GASB 75

In 2015, the Governmental Accounting Standards Board (GASB) released new accounting standards for public sector postretirement benefit programs and the employers that sponsor them. GASB 75 reflects an overhaul in the standards for accounting and financial reporting for postemployment benefits other than pensions (OPEB).

Milliman consultants can provide advice and guidance on GASB 75, which will replace GASB 45 and become effective for employer fiscal years beginning after June 15, 2017. GASB 75 requires the disclosure of more information in the financial statements than GASB 45. More frequent valuations are encouraged and biennial valuations are now required (GASB 45 only required triennial valuations for plans with fewer than 200 members).

The reporting requirements of GASB 75 are generally more extensive than those under GASB 45. The changes for GASB 75 are designed to standardize the way OPEB expense is calculated and displayed in order to have consistency and comparability between reporting entities. Milliman can help governments of all sizes better understand the new and more stringent requirements of GASB 75.

The most significant impact of the new standards is the change from reporting the unfunded actuarial accrued liability for the plan in the notes of the financial statements to recognizing the unfunded actuarial accrued liability on the balance sheet of individual employers.

Other key changes regarding GASB 75 include:

- Different approach for determining the discount rate based on the funding of the plan
- The potential lag of up to 12 months between measurement date and reporting date
- Required use of the entry-age actuarial cost method
- Separation of funding from financial reporting
- Age-specific claims costs must be used for each individual regardless of whether the individual's age influences premiums paid by the employer
- Selected assumptions must be in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board

The table below shows some of the key differences between GASB 45 and GASB 75.

| GASB 45 | GASB 75 |
|---|--|
| Unfunded actuarial accrued liability for the plan reported in the notes to the financial statements | Unfunded actuarial accrued liability for the plan recognized on the balance sheet as a liability of the employer |
| Phased in | Not phased in |
| Valuation required every two or three years depending on number of participants | Biennial valuations required for all plans |
| Sponsors select from six actuarial cost methods; many plans use projected unit credit actuarial cost method | Entry Age Normal as a level percentage of pay is required for all plans |
| Different basis from GASB 75 to determine discount rate for funded plans | Different basis from GASB 45 to determine discount rate for funded plans |
| Limited exceptions to age adjustment to premiums in "implicit subsidy" situation | No exception to age adjustment to premiums in "implicit subsidy" situation |
| No sensitivity testing required | Sensitivity testing of net OPEB liability required |

OFFICE OF THE TREASURER
BRANFORD, CONNECTICUT

Item #7

1019 MAIN STREET
POST OFFICE BOX 150



(203) 488-8394
FAX 481-5561

Date: November 27, 2017

To: Joseph Mooney
Board of Finance

From: James P. Finch
Finance Director

Re: State Budget

I write to update the Board on the impact of the recently adopted state budget and to identify future considerations in response to these developments.

Background

As the Board considered setting the mill rate for FY 2018 it was confronted with the following:

- An RTM approved budget calling for a mill rate increase of 5.33%.
- The RTM budget relied on state revenues in excess of \$2 million.
- Following the RTM budget vote the governor floated a proposal which if enacted would drastically reduce aid to Branford and force a mill rate increase of 7.64%
- A proposal to require municipalities to contribute to the Teachers Retirement Board (TRB) at a cost to Branford of \$2.7 million.

In the face of these challenges the Board was faced with limited options and thus the general consensus was to appropriate an additional \$3.6 million from undesignated fund balance for a total fund balance appropriation of \$6.425 million and to lower the mill rate increase to 3.85%.

Final State Budget Impact on Branford General Fund (updated 11/22/17)

On October 31, 2017 the governor signed the bipartisan budget which spared Branford from deep cuts in aid while eliminating the proposed TRB contribution. As a result the Town is expected to receive approximately \$2.56 million more in revenue than budgeted while expenditures will be \$1.37 million less than anticipated (TRB) for a total benefit of \$3.9 million. As mentioned previously the Town appropriated an additional \$3.6 million from undesignated fund balance therefore I advance the notion that the net gain is approximately 300,000.

I suspect Board members may recall that the proposed TRB requirement was split between pension and debt service. The pension component was offset by undesignated fund balance while debt service half was funded through taxes. The plan was to use the increase in the debt service budget to pay-down the bond anticipation notes which matured in September. However since the state adopted the budget in October we were unable to exercise this option.

State Funding of the WIS Middle School and Central Office:

The state budget includes grants for the middle school and central office. It is on the Bond Commission’s agenda for the 29th of this month and we anticipate receiving final approvals from the School Facilities Unit in December.

Walsh Project
State & Local Share

| | |
|---------------------|---------------|
| 85,933,000 | Middle School |
| <u>(30,385,909)</u> | Grant |
| 55,547,091 | Local Share |

| | |
|------------------|----------------|
| 2,267,000 | Central Office |
| <u>(400,806)</u> | Grant |
| 1,866,194 | Local Share |

| | |
|---------------------|-------------|
| 88,200,000 | Total |
| <u>(30,786,715)</u> | Grant |
| 57,413,285 | Local Share |

Future Considerations and Recommendations

All is not lost as the windfall in the debt service budget may still be used to reduce outstanding obligations. In FY 2017 we retired a Clean Water Fund Note ahead of schedule and we retain the option to prepay existing obligations. Additionally we should be aware that the state budget may undergo changes in the future. Arguably it is not unreasonable to envision a scenario where the state fails to meet its revenue requirements or if expenditure reduction targets fall short forcing the state to reduce municipal aid. Finally as of this writing the state is drafting an implementer bill which requires municipalities to fund 50% of renter’s rebates. Previously this program was funded through the state however the local share is capped at \$250,000.

While many of us are breathing a sigh of relief now that the state budget is adopted, we remain cautious until we are in receipt of the promised aid. Additionally as the aid is

distributed throughout the year a cautious approach warrants waiting until the fourth quarter prior to making any debt pay-downs. Finally despite an element of uncertainty Branford may consider resuming earlier plans with regard to budgets and future capital needs.

RESOLUTION AMENDING THE \$150,000 STONY CREEK BOND RESOLUTION AND REALLOCATING UNEXPENDED STONY CREEK PROJECT BOND PROCEEDS TO THE RESTROOM TRAILER PROJECT

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2017 OCT 25 P 1:42

TOWN CLERK'S OFFICE
BRANFORD, CONNECTICUT

Section 1. A Resolution adopted March 25, 2015, entitled "RESOLUTION APPROPRIATING \$150,000 FOR THE PLANNING, DESIGN AND PREPARATION EXPENSES FOR THE DREDGING OF STONY CREEK AND AUTHORIZING THE ISSUE OF \$150,000 BONDS OF THE TOWN TO MEET SAID APPROPRIATION AND PENDING THE ISSUANCE THEREOF THE MAKING OF TEMPORARY BORROWINGS FOR SUCH PURPOSE" (the "Prior Resolution"), which Prior Resolution is hereby ratified, confirmed and adopted, is amended by decreasing the appropriation and bond authorization \$135,000, from \$150,000 to \$15,000, and reallocating \$30,000 of unexpended proceeds derived from the issuance of Stony Creek Project Bonds to the Restroom Trailer Project, as follows:

Section 2. The title of the Resolution is amended to read as follows:

RESOLUTION APPROPRIATING \$15,000 FOR THE PLANNING, DESIGN AND PREPARATION EXPENSES FOR THE DREDGING OF STONY CREEK AND AUTHORIZING THE ISSUE OF \$15,000 BONDS OF THE TOWN TO MEET SAID APPROPRIATION

Section 3. Section two is amended by substituting the following for section two of the Prior Resolution:

The Project is being closed from this funding source and the total cost is \$15,000.

Section 4. Section three is amended by substituting the amount \$15,000 for \$150,000.

Section 5. It is hereby found and determined that the proceeds derived from the bonds issued as forth below, are no longer required:

| <u>Project</u> | <u>Bond Issue Date</u> | <u>Proceeds Available</u> |
|----------------------|------------------------|---------------------------|
| Stony Creek Dredging | 4/23/15 | \$30,000 |

The Proceeds Available are hereby transferred and reallocated to and bonds originally issued are deemed to have been issued for the following purpose and amount:

| <u>Project</u> | <u>Proceeds Available</u> |
|------------------|---------------------------|
| Restroom Trailer | \$30,000 |

As a result of the transfer and reallocation herein, the authorized and unissued balance of the Stony Creek dredging bond authorization is zero, and for the Restroom Trailer the \$100,000 bond authorization is reduced by the reallocation of the \$30,000 Proceeds Available, resulting in an authorized and unissued balance of \$70,000.

Section 6. Nothing herein shall affect the full faith and credit pledge of the town to pay when due principal and interest on bonds issued to fund the Stony Creek Project.

**BOARD OF FINANCE
TOWN OF BRANFORD
BRANFORD, CONNECTICUT 06405**

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2017 NOV 28 P 12: 13

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BRANFORD, CONNECTICUT

JOSEPH W. MOONEY, CHAIRMAN
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JAMES B. COSGROVE, First Selectman

CLERK
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2018 MEETING SCHEDULE **As Revised 11/27/17**

Regular meetings of the Board of Finance will be held on the last Monday of each month at Fire Headquarters, 45 North Main Street, in the 2nd floor Training Room, beginning at 7:30 p.m., unless otherwise noted or rescheduled.

| Month | Date | Time |
|-------------------------|----------------------|-----------|
| January | Monday, January 29 | 7:30 p.m. |
| February | Monday, February 26 | 7:30 p.m. |
| * March Budget Meetings | Monday, March 12 | 7:00 p.m. |
| | Tuesday, March 13 | |
| | Thursday, March 15 | |
| | Monday, March 19 | |
| April | Monday, April 23 | 7:30 p.m. |
| May | Monday, May 21 | 7:30 p.m. |
| June | Monday, June 25 | 7:30 p.m. |
| July | Monday, July 30 | 7:30 p.m. |
| August | Monday, August 27 | 7:30 p.m. |
| September | Monday, September 24 | 7:30 p.m. |
| October | Monday, October 29 | 7:30 p.m. |
| November | Monday, November 26 | 7:30 p.m. |

As approved by the Board on 11/27/17