



WESTPORT CONNECTICUT

BOARD OF FINANCE

MINUTES OF DECEMBER 2015 MEETING

The Board of Finance held its Public Hearing on **Wednesday, December 2, 2015**, at 7:00 p.m. in the Auditorium of Town Hall for the following purposes:

Attendees: L. Caney, S. Gordon, B. Stern, J. Tooker, M. Rea, C. Moore, J. Hartwell

A) PUBLIC HEARING

1. The Board made nominations and elected officers for the Board of Finance.
J. Tooker, Chair presided over the nomination for a new Chairman of the Board of Finance. Brian Stern was nominated by Lee Caney. J. Tooker second the nomination. M. Rea moved nominations be closed and Stern be elected unanimously. Vote 7-0-0.
Brian Stern nominated Michael Rea for the position as Vice-Chairman of the Board of Finance. Sheri Gordon second the nomination. Vote was taken 7-0-0.
2. Overview by Actuary Becky Sielman of Milliman of the status of the most recent June 30, 2014, valuation of the Town's Pension and OPEB Plans. The overview included the assumption and funding methods used to determine the valuation results along with the major drivers being interest rate assumptions, salary growth, investment allocation assumptions, asset smoothing and how we compare with our peers. Explanation of the analysis include terminology used, assumptions and best practices. Sielman also discussed the alternatives to Defined Benefit Plans including Defined Contribution and Hybrid plans. (Discussion Only)
3. Presentation by the Assessor regarding the revaluation: (Discussion Only)
 - An overview of the revaluation process.
 - Procedures and methodology included in the valuation process.
 - Market changes - 2015 vs. 2010.
 - Procedures after you get your assessment notice.
4. Financial Report from the Finance Director. (Discussion Only)
5. Status Update from the Internal Auditor. (Discussion Only)
6. The Board of Finance Minutes of the November 4, 2015, regular meeting was approved. Motion to approve minutes made by L. Caney, Second by J. Tooker. Vote was 3-0-4 (abstain)

B) WORK SESSION

7. Discussed multiple items that the BOF members believe might enhance their collective efficiency and performance in 2016. These items included, but were not limited to, the 2016 calendar, sub-committee work assignments, upcoming town labor negotiations, the budget process, participation in major town projects (e.g. ESCO, Fire Strategy, productivity

initiatives, etc.), pension negotiations, protocols for public meetings and executive sessions (e.g. presentation material distribution, package documentation, meeting start time, etc.).

Discussion no vote taken.

Motion to adjourn was made by J. Hartwell , second by C. Moore. Vote 7-0-0

Town of Westport
General Fund Revenues, Transfers and Expenditures
For Four
Months Fiscal Years 2016 and 2015

	FY 2016			FY 2015				
	Budget	4 Months Actual	% of Budget	Final Budget	4 Months Actual	% of Budget	Variance	
REVENUES								
10	PROPERTY TAXES	181,248,023	93,330,860	51.5	176,935,479	90,622,105	51.2	2,708,755
20	EDUCATION REVENUES	338,842	197,976	58.4	245,000	188,554	77.0	9,422
30	PARKS AND RECREATION	4,844,332	1,493,971	30.8	4,772,503	1,430,268	30.0	63,703
40	LICENSES AND PERMITS	3,830,100	2,295,805	59.9	3,660,250	1,752,815	47.9	542,990
50	FINES AND PENALTIES	1,220,000	420,899	34.5	1,195,000	365,788	30.6	55,111
60	INTEREST	75,000	62,374	83.2	75,000	29,740	39.7	32,635
70	FROM STATE OF CONNECTICUT	3,384,578	1,217,251	36.0	3,553,669	1,711,083	48.1	(493,833)
80	CURRENT SERVICES CHARGES	2,967,900	1,302,446	43.9	3,061,320	1,130,557	36.9	171,889
90	MISCELLANEOUS REVENUES	120,000	15,281	12.7	45,000	16,574	36.8	(1,293)
95	TRANS. FROM OTHER FUNDS	577,000	250,000	43.3	503,000	267,450	53.2	(17,450)
	GEN. FUND REVENUES & TRANSFERS	198,605,775	100,586,864	50.6	194,046,221	97,514,934	50.3	3,071,930
EXPENDITURES								
110	GENERAL GOVERNMENT	6,035,347	1,731,164	28.7	5,895,134	1,702,213	28.9	28,951
120	PUBLIC SAFETY - Police	8,615,351	2,910,255	33.8	8,412,609	2,910,610	34.6	(355)
122	- Fire	8,959,993	2,825,932	31.5	8,810,412	2,957,422	33.6	(131,490)
129	- Other	3,000,568	926,346	30.9	2,965,118	884,837	29.8	41,509
130	PUBLIC WORKS	9,583,258	2,185,584	22.8	9,720,310	2,044,066	21.0	141,518
140	HEALTH	542,402	273,051	50.3	529,263	266,482	50.3	6,570
150	HUMAN SERVICES	1,126,922	332,499	29.5	1,099,202	321,077	29.2	11,422
160	EDUCATION	123,582,074	37,492,892	30.3	122,396,616	37,966,393	31.0	(473,501)
170	LIBRARY	4,702,998	1,781,361	37.9	4,588,170	1,751,475	38.2	29,886
180	PARKS AND RECREATION	4,980,583	1,991,682	40.0	4,749,175	1,963,064	41.3	28,618
190	MISCELLANEOUS - Pension	9,346,540	3,902,703	41.8	9,595,032	3,225,111	33.6	677,592
191	- OPEB	6,455,000	1,075,832	16.7	6,079,862	1,000,000	16.4	75,832
192	- Insurance	9,285,920	697,886	7.5	9,192,315	3,674,703	40.0	(2,976,817)
196	- Other	1,754,090	549,788	31.3	1,777,628	558,806	31.4	(9,018)
197	DEBT SERVICE	2,761,175	1,707,212	61.8	2,638,772	1,556,803	59.0	150,409
198	STORMS	0	0		0	0	0.0	-
199	OTHER FINANCE USES	1,583,136	1,200,000	75.8	1,383,136	1,000,000	72.3	200,000
200	SPECIAL APPROPRIATIONS	0	20,000		0	0	0.0	20,000
	GEN. FUND EXPENDITURES & TRANS	202,315,357	61,604,188	30.4	199,832,754	63,783,061	31.9	(2,178,874)

EXECUTIVE SUMMARY

Property taxes are slightly ahead of last year on a percentage basis and are \$2.7 million ahead in dollars for RE, MV, Deferred taxes and Prior Years.

Parks and Recreation Income is \$63,000 higher than last year due to higher non-resident parking passes and higher Greens Fees.

Licenses and permits are \$543,000 ahead of last year due to Conveyance fees and P&Z and mostly Building permits (\$526k higher).

Revenue from the State of Connecticut is \$493,000 less than last year due to the MORE Commission reduction to PILOT payments on State Property.

Expenses

General Government is slight higher than last year due to payment of maintenance contracts for support that were paid in the second quarter last year

Police (lower Overtime) and Fire (lower Sick and Vacation leave) are lower than last year but is offset by higher EMS expenses due to the purchase of a new vehicle, higher extra help and overtime and Life pack maintenance.

Public Works is \$142k higher than last year as the Engineering department is back to full staffing and the purchase of a new vehicle this year.

Road Maintenance is higher than last year due to an increase in road work. Solid waste is higher due to timing of payments for tipping fees and recycling.

Education expenses is \$473,000 less than the previous year primarily as a result of payroll expense being divided by 27 payrolls versus the normal 26. This occurs every four years for bi-weekly payrolls. It will come back in line at year end.

Both OPEB and Pension transfers are done on a monthly basis in equal installments whereas 2014-15 transfers were rounded and adjusted at year end.

Insurance is \$3.0 million lower than last year due to the timing of the transfer of funds to the Self Insurance fund which will occur at the end of second quarter.

Debt Service is \$150k higher than last year due to the increase in the principal for the 2012 Refunding Bond which has been reflected in the Budget.

Other financing uses is \$200,000 which represents the transfer to the Real Property Fund for Land Acquisitions.

Notes:

As a result of a State shortfall in revenues the State pulled back \$417,000 in PILOT funds to Westport for State Owned Property.(MORE Commission)

Energy contracts are now locked in for heating oil, diesel and gasoline \$2.00-\$2.06 per gallon. Based on the contracted volumes, saving will be \$206,000.

The new Pension and OPEB valuations came in favorable resulting in funding levels that will be \$1.2 million lower than budgeted.

Also, due to the November refunding of \$8.6 million in debt we will realize savings of \$590k of which \$127k will be this year.

Other Financial Information

October 2015

	<u>June 30, 2014</u> (twelve months)	<u>June 30, 2015</u> (twelve months)	<u>Sept 30, 2015</u>	<u>30-Oct-15</u>
Pension Investments				
	261,224,492	268,752,080	253,625,237	261,237,705
Return Quarter		-0.10%	-5.50%	n/a
Return Year-to-Date July 1, 2015 to:		2.30%	-3.40%	7,612,468
			-5.50%	3.00%
OPEB Investments				
	28,241,077	34,959,955	34,308,714	35,600,879
Return Quarter		-0.10%	-6.40%	n/a
Return Year-to-Date July 1, 2015 to	17.90%	2.40%	-4.20%	1,292,165
			-6.40%	3.77%

% of Expenses

Fund Balance and Appropriations		
June 30, 2014 (Audited)	12.4%	26,132,360
June 30, 2015 (Audited)	11.5%	24,785,716
<u>Appropriations</u>		
Fine Settlement		20,000
Non-Union Salary Increases		17,404
Energy Performance Savings Contracting Initiative		37,000
Total Appropriations		74,404
Adjusted Fund Balance	10.8%	24,711,312
Estimated Additional Revenues for Year		2,000,000
Change in reserves for Vacation and Comp Time.		(130,000)
Loss of State Income (PILOT)		(600,000)
Contribution of Fund Balance	Set in May 2016	
Estimated Fund Balance 6-30-15	11.6%	26,581,312

Asset Allocation

As of November 30, 2015

	Asset Allocation (\$)	Asset Allocation (%)	Target Allocation (%)	Differences (%)
Westport Total Plan	262,958,051	100.0	100.0	0.0
Cash	1,775,986	0.7	0.0	0.7
Cash Portfolio	1,204,377	0.5	0.0	0.5
Mutual Fund Cash	571,609	0.2	0.0	0.2
Domestic Fixed	60,583,753	23.0	25.0	-2.0
Blackrock Total Return BlackRock K	19,409,106	7.4	8.0	-0.6
Western Asset Core Plus IS	19,733,697	7.5	8.0	-0.5
Vanguard Inflation Protected Securities Adm	488,497	0.2	0.3	-0.1
BlackRock Strategic Income Opportunities Fund I	7,781,648	3.0	3.3	-0.3
Templeton Global Bond R6	13,170,805	5.0	5.5	-0.5
Domestic Equity	102,342,138	38.9	37.5	1.4
Vanguard Institutional Index Fund Instl	76,572,573	29.1	27.5	1.6
WCM Small Cap Value	10,330,155	3.9	5.0	-1.1
Geneva Small Cap Growth	15,439,410	5.9	5.0	0.9
International Equity	61,957,787	23.6	25.0	-1.4
Vanguard Developed Markets Indx Instl	5,354,934	2.0	2.0	0.0
Earnest Partners Intl Equity	20,649,317	7.9	9.0	-1.1
Silchester International	25,529,449	9.7	9.0	0.7
Oppenheimer Developing Markets Y	10,424,087	4.0	5.0	-1.0
Real Estate	23,100,111	8.8	7.5	1.3
Vanguard REIT Index Adm	3,901,961	1.5	0.0	1.5
Cohen & Steers Instl Global Realty	6,209,936	2.4	2.5	-0.1
Cornerstone Patriot Fund	12,988,213	4.9	5.0	-0.1
Alternative	13,198,277	5.0	5.0	0.0
GAM US Inst'l Diversity	8,286,883	3.2	3.0	0.2
Aetos Alternative Management	4,911,394	1.9	2.0	-0.1

*This exhibit is meant to provide clients with an estimate of the returns generated by your plan's investment managers utilizing the most current data accessible. The managers of certain strategies may not have made return information available as of this report's production date.

Aetos is valued as of prior month and Cornerstone is valued as of prior quarter end, but includes cap calls and distributions from current quarter.

Investments with a zero balance were held in the plan during the reporting period and will be removed once they no longer impact plan performance.

Asset Allocation

As of November 30, 2015

	Asset Allocation (\$)	Asset Allocation (%)	Target Allocation (%)	Differences (%)
OPEB Trust	36,427,286	100.0	100.0	0.0
Total Short Term Liquidity	54,691	0.2	0.0	0.2
WF Advantage Money Market	54,691	0.2	0.0	0.2
Total Fixed Income	8,030,219	22.0	25.0	-3.0
Vanguard Intermediate-Term Bond Index Adm	2,761,017	7.6	10.0	-2.4
BlackRock Strategic Income Opportunities Fund I	4,402,576	12.1	10.0	2.1
Vanguard Short-Term Inflation Protection Adm	866,626	2.4	5.0	-2.6
Total Domestic Equity	15,095,465	41.4	40.0	1.4
Vanguard Total Stock Market Index Instl	11,044,251	30.3	32.5	-2.2
Vanguard Growth Index Adm	1,879,109	5.2	5.0	0.2
WCM Small Cap Value	500,600	1.4	1.3	0.1
Geneva Small Cap Growth	1,671,506	4.6	1.3	3.3
Total International Equity	10,116,634	27.8	30.0	-2.2
Vanguard Developed Markets Index Fund Adm	1,921,230	5.3	5.0	0.3
Earnest Partners Intl Equity	4,759,383	13.1	15.0	-1.9
Schroder Emerging Markets Equity Fund Inv	3,436,021	9.4	10.0	-0.6
Real Estate	3,130,277	8.6	5.0	3.6
Vanguard REIT Index Adm	919,256	2.5	0.0	2.5
Cornerstone Patriot Fund	2,211,021	6.1	5.0	1.1

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Cornerstone is valued as of prior quarter end, but includes cap calls and distributions from current quarter. Earnest Partners is valued as of the prior month end.

Investments with a zero balance were held in the plan during the reporting period and will be removed once they no longer impact plan performance.