



BOARD OF ALDERMEN  
SHELTON, CONNECTICUT  
***FINANCE COMMITTEE – JULY 28, 2009***

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**Call to Order / Pledge of Allegiance**

Alderman Stanley Kudej, Chairman, called the meeting to order at approximately 5:35 p.m. (Pledge of Allegiance done at the meeting prior)

**Roll Call - Finance Committee**

Alderman Stanley Kudej, Chairman, present  
Aldermanic President John F. Anglace, Jr. - present  
Alderman Anthony Simonetti – present

Others present:

Alderman John "Jack" Finn  
City Treasurer Frank Pagliaro  
Finance Director Lou Marusic  
Apportionment and Taxation Member Judson Crawford

**Public Session**

Alderman Kudej asked if any member of the public wished to address the committee.

**Judson Crawford, 8 Jordan Avenue**

Good evening gentlemen. I'm speaking tonight as a member of the Board of Apportionment and Taxation. I'm a little upset with you gentlemen here. You are not adhering to the letter that was sent out by our Finance Director. If that was so adhered to, all the year-end transfers that had to have been accomplished by this board, by the Board of A&T, all the running around with paperwork that was coming in at 4:15 and 4:10 in the afternoon, being comprised to get the year-end transfers, did not need to have to be done. All this would have been done before the middle of the month of June, submitted to the Finance Director and it would have been in plenty of time to do any transfers. After doing a detailed report of the accounts of the City,

most of the transfers that were made, could have been done within the individual departments and didn't need to go even further.

Alderman Anglace stated, may I ask a question? Do I understand you correctly? Are you saying that the individual departments could have gone to the Board of A&T and asked for a transfer within their budget?

Mr. Crawford replied, yes they could have.

Alderman Anglace asked, and they would not have been handled later?

Mr. Crawford stated, every single line item right there has been unexpended.

Alderman Anglace asked, so you are saying there was money in the budget, in the particular department's budget?

Mr. Crawford replied, that is correct, yes.

Mr. Crawford stated, the reason for this meeting here tonight, which was brought before the Board of Aldermen by our City Treasurer, I am totally in favor of this. Not just because of what you presented to the Board of Aldermen. I had to go out and find out for myself. After going into the bank and having a discussion with the people there, I found that one, everyone is very friendly, two, very sincere, trying to do the jobs for this. Three, it's something that would have to be handled by our Treasurer but it would be something that for the amount of cash flow that People's has, we could be getting the other deposits with in-house. I just wanted to bring that information to your attention. Thank you very much for your attention.

**1. APPROVAL OF MINUTES**

Alderman Simonetti MOVED to waive the reading of and approve the minutes of the Finance Committee meeting of April 28, 2009, SECONDED by Alderman Anglace. A voice vote was taken and the MOTION PASSED 3-0.

**2. BANK DEPOSITORY TRANSFER REQUEST**

Alderman Simonetti stated, Mr. Pagliaro, you have the floor.

Mr. Pagliaro stated, as you know, I've been the City of Shelton Treasurer for the past 16 years. One of the most important tasks I have is to invest the city funds to the best of my ability. Most recently we have seen the fallout of many banks who especially need and receive TARP funds to stay afloat. Far and above this, we have the People's United Bank, who did not have to take TARP funds and whose rating as a financial institution is one of the highest in the country. In view of this, and as your City Treasurer, I would like to request the Board of Aldermen to endorse and advise the transfer of our main city checking account to People's United Bank. Now we have here this evening other members, the Finance Director and Mr. Weber from People's Bank. He is the municipal director for Fairfield County. He can give you information about it. I do know in Fairfield County alone most of the communities have gone with People's Bank. I don't think I would trust ourselves with somebody that had TARP. I'd like to now introduce Lou Marusic and let him make his comments.

Alderman Finn asked, what is TARP?

Mr. Marusic replied, it's the bailout money that these banks have needed. The government had made them loans so that they wouldn't financially go under. Two banks that have taken TARP money are Webster Bank and Wachovia under Wells Fargo. Peoples United did not.

Mr. Pagliaro stated, it happened in January when everything crashed.

Mr. Marusic stated, I'm always watching these things. I'm watching what's happening with the U.S. Stock Index Futures. That determines how Wall Street reads the financial strengths and performance of the banks if you have stock traded. Basically there are three areas where I can't be neutral. I'm neutral in a lot of things, but there are three areas where I can't be neutral when it comes to bank services. One is service. Two is cost. Three is bank financial strength. And for bank financial strength I just can't walk up and ask the teller, how strong is your bank? I can't go and ask a vice president of a bank, how strong is your bank? In this case I could. He has financial notices and various publications that support what he has to say. These are the three areas in which I take really more than just a layman's interest. I'm going to give you some results of what my recent monitoring process is. I've monitored several banks, and the two banks that came up from Reuters

is Webster Bank, and I'm going to pass these out. I'm not going to spend a lot of time on Webster Bank, but I'll just pass these out. What this says is that Webster's second quarter loss widened to 31.6 million from 28.7 million. It was hurt by bad loans and investment (inaudible). That's not good. We have some exposure in there. Not a lot but we have to be aware with what's taking place. I only bring this up from the standpoint of monitoring a bank. I'm not going to dwell on it. Then along the same lines of being impartial, I was able to find some information about Wells Fargo/Wachovia. I'd like to make comments on this one. Okay, this is dated July 22, 2009 and I'll speak briefly in layman's terms. This is from Reuters. It says basically that U.S. Stock Index Futures pointed to a lower opening Wednesday after a batch of corporate earnings mostly beat lower expectations but the key financial sector continued to show signs of weakness. One of the commentaries for that weakness is 'rising credit losses at Wells Fargo & Company dented recent optimism about the financial sectors recovery.' These are the ones that have taken TARP funds. And as we know, Wells Fargo has taken TARP funds. Now that's just a general statement. So I dug in a little further and I got the specifics. On the second page, here's what the analysts have to say: 'Wells Fargo will need to raise more capital to cover potential losses from its real estate loans including the loans it inherited from Wachovia.' So, they are still not out of the woods. In May the government told Wells Fargo that it needed to raise 13.7 billion dollars in additional capital after the treasury released results of strength tests of the nation's largest banks. The tests were designed to determine how banks would fare if economic conditions worsened. We have to be concerned if Shelton's economic conditions worsen the strength of the financial bank and the safety of the taxpayer's dollar there. And whether they might need additional capital. By early June Wells Fargo has raised 8.6 billion dollars in a common stock offering compared to what the feds said they need, 13.7. So they are only 60 percent capitalized at this point. They have to go out, and, I don't know if they've raised the rest of it, it doesn't say that here. The bank has also received \$25 million dollars in bailout funds, that's TARP. It is not known when it will repay the government back and that's why the stock market was closing down on the futures. These banks can get the TARP money but if they don't know when they are going to pay it back then credit markets begin to get a little antsy.

Alderman Finn asked, is there a time frame from the federal government for when they have to pay it back?

Mr. Marusic replied, no. Their financial strength determines when they can pay it back and right now they are not saying when. Other institutions are saying when they will pay it back and saying they have a time frame and this hasn't been stipulated, so they are concerned. I'd like to go back to Wachovia and talk about three areas. Service is very good. They can't be slighted on service at all. My barometer is the tax collector. The tax collector has absolutely no negative comments to make on that bank. That's one of my non-neutral areas. Second neutral area is cost. I'll give you an example of some of the costs that I see that come forth in what they call a Wachovia account analysis statement. They list certain service charges, for example, we get charged 20 cents for every check that's paid in some kind of a calculation I can explain later, for deposits it is 50 cents a deposit, for checks returned with a statement - \$5, for account maintenance - \$20, for deposited items - 14 cents and for partial reconciliation monthly maintenance - \$75. These are costs and I can't determine how competitive these costs are. They may be cheap, they may be expensive. I can't determine without an RFP. I couldn't determine if this bank is competitive with their costs. I know the service is very good. Then I come to the third area of bank financial strength and it's not so good based upon what I've just read and the U.S. Stock Futures. All that has to be factored into the mix of how you think about these banks. The number one concern is going to be safety of the taxpayer's dollars. I think the Treasurer has stipulated that's his only concern and nothing else. But there are three basic concerns, service, cost and bank financial strength that factor into the equation. That's fundamentally where I'm coming from. I'm not saying 'do this' or 'do that' and on the other hand I can't be neutral and I'm doing my job.

Alderman Kudej asked, how much do we deal with Webster?

Mr. Marusic replied, I think the Board of Education has the biggest exposure there. I'd have to go back and find out what the dollar investment is in that bank. We are doing it as part of the audit. The auditors will determine that for us and I can report back.

Alderman Kudej asked, you don't have the breakdowns for Webster, the service, the cost and all that?

Mr. Marusic stated, we'd have to ask for something like that.

Alderman Simonetti stated, what banks do we use now?

Mr. Marusic stated, we have about eight or nine banks.

Alderman Simonetti asked, so there's no one bank that we use exclusively?

Mr. Marusic stated, well we do, and that's Wachovia.

Alderman Simonetti stated, so, they get the bulk of our money, about how much?

Mr. Marusic replied, well it's broken down. They don't get the stiff money. When money comes in to that bank, we leave what's necessary for payroll and bills and we take the rest of the money and put it into the shortterm investment fund. I think over there we have about \$25 million dollars.

Mr. Pagliaro stated, in November 2007, at the Board of Aldermen Regular Full Board meeting it was stated: 'those payable to the individual order of any person or persons where name appears thereon' and they name 'HSBC, Chase Manhattan, Bank North, Wachovia, Peoples, Webster, Fleet, Naugatuck Valley and Commerce Bank.' Those are the depositories that the BOA authorized.

Alderman Simonetti stated, a citizen can drop the money off and it will be deposited in one of the city coffers. They don't have to come to City Hall to pay their taxes.

Mr. Marusic stated, typically Webster Bank collects \$3 million dollars for us.

Alderman Simonetti asked, Mr. Weber, what communities does your bank now service?

Mr. Weber replied, we are a main depository in Fairfield County. I can think of Fairfield, Westport, Darien, Greenwich, and dBridgeport.

Alderman Simonetti asked, and you are one of the few or one of several for each city?

Mr. Weber replied, it depends on the city and the town and their needs.

Alderman Simonetti asked, are you exclusive to any one of them?

Mr. Weber replied, yes, Darien for instance. They've used us for a long time. We collect their taxes too. Fairfield is another exclusive. Trumbull is another one. For many towns we just do a lockbox or a payroll and so forth and so on.

Alderman Simonetti asked, Mr. Marusic, do you have the city staff to accomplish something like this to move over?

Mr. Marusic replied, right now we don't because my assistant is on disability leave.

Mr. Pagliaro stated, excuse me Anthony, are you saying about the transfer?

Alderman Simonetti replied, yes.

Mr. Pagliaro stated, the transfer could be handled strictly by Peoples at no cost to the city.

Alderman Simonetti stated, I understand that but someone has to be monitoring what happens from Lou's office and at this time he is saying he doesn't have the staff to do it.

Mr. Marusic stated, for example, one person, I won't name names, is going to be out three weeks in August.

Alderman Simonetti asked, Mr. Weber going back to the cost to the city, are costs similar as we now share with Wachovia?

Mr. Weber replied, I've looked at that. I can negotiate rates that are lower.

Alderman Simonetti asked, is there any interest paid on the money that we have sitting in the bank at any one time?

Mr. Marusic replied, it is but it's about half a percent or less. That's across the board.

Alderman Finn asked, what's the time frame that Wachovia has to notify us regarding how much money they've collected?

Mr. Marusic stated, whenever it starts. The bills go out, then the city can go to a bank. What happens is the tax collector monitors that.

Alderman Finn asked, does Wachovia come to City Hall to pick up the daily deposits or do the city employees have to go to the bank?

Mr. Marusic stated, I don't think there is a pick up here. The branch is just right down here and there may be some kind of police escort.

Mr. Paglaro stated, as far as I know, additionally my conversation with Peoples Bank is that they will have a courier on a daily basis pick up the tax money from the tax collector.

Alderman Finn stated, the courier, more than likely, would be bonded. Is our city employee bonded to carry the money down to the bank?

Mr. Marusic stated, the tax collector is bonded and I'm bonded. I don't know about the person taking it down to the bank.

Alderman Finn replied, well that person should be bonded.

Mr. Marusic replied, yes. I will check into that.

Alderman Simonetti asked, Mr. Weber, Mr. Pagliaro stated earlier that you will guarantee 100 percent of the deposits for the City of Shelton, now FDIC at this point is up to \$200,000?

Mr. Weber replied, it depends on the type of account that you have. If you have a transaction account, which is a checking account, essentially it's fully guaranteed by the FDIC. If you have an investment account that earns interest it's \$250,000 per account.

Alderman Simonetti asked, what would this account be?

Mr. Weber replied, checking account, transactional. It would be fully guaranteed.

Alderman Simonetti asked, is that the same it is now with the other banks we are using?

Mr. Weber replied, yes.

Alderman Simonetti asked, so there's no difference there?

Mr. Weber replied, unless they opted out of the program. I'm not aware of any of the banks that you use opting out of the program.

Alderman Simonetti asked, is your bank planning on taking any TARP money?

Mr. Weber replied, no. Not that I'm aware of. If we haven't yet, then I'm sure that we won't.

Alderman Kudej asked, John, do you have anything to say about this?

Alderman Anglace stated, let me put this in perspective. This has been going on for several months and I want you all to take a look. Our current bank depository for the main amount of our money is Wachovia and they aren't at this meeting today. There is a reason for it, because we aren't here to talk about the banks. We are here to talk about the process and the procedure. Now, the City Treasurer has given us a contract from Peoples United and wants us to approve it. Is that what you want, you want us to approve the contract?

Mr. Pagliaro replied, yes.

Alderman Anglace stated, John Welch took this contract and reviewed it. John Welch raised a number of questions that we haven't even looked at. Now, this morning after several discussions with Tom Welch, we thrashed out the final position for what I think we should be looking at. I asked him to research the roles. Who has what responsibility in this process? What does statute say? I'm not talking about banks. I'm talking about us as City Officials. Frank as the Treasurer, Lou as the Finance Director and Mark as the Mayor. What are our roles in this process? This is what we came up with. Now, I made written notes but

I'll share them with you. The City Treasurer is responsible for making investments of the city money, that's his responsibility per statute. The bank depository decision is administrative. It's not the City Treasurer, it's administrative. It's Mark, mayor, and the Finance Director, Lou. The history of the city and how we went with Wachovia goes back several decades prior to the time that we have been in office, before that. It's long and it's unclear and there's been a number of banks that have held main depository money. Now, this is good that the City Treasurer has raised this question. He was alert and paying attention. He saw back in November that there was some problem with the banks and the market, etc. So, he raised a red flag and he should have. As he tried to do something about it, everyone along the way were tripping over their feet because we don't know what we don't know.

Mr. Pagliaro stated, John, if I may interrupt one second. Back years ago, years ago, I was the one who changed Webster to Wachovia. I brought Wachovia in.

Alderman Anglace replied, Frank, there is no paper trail. I had Counsel research this and he said the Finance Director and the Mayor determine when and if a change is warranted. You can determine a change is warranted for cause, or for no cause, for reason or no reason. At a minimum, he recommends that an RFP process of a change in the main depository should be considered. And with the Finance Director and the Mayor, and you can include the City Treasurer if you want, determine the criteria. Now you are going to do an RFP based on similar criteria of what the city is after. Now remember, here is a summary of our current account over several months, I think it's six months of services etc. We don't make any money off this. They use six to nine million of our money and we get those services free that we negotiate in the contract but if you look at the contract and some of the questions that John Welch raised as a result of the contract that Peoples gave us, he's waiving the red flag that we not accept it in many areas. You cannot go forward with this thing unless you make it transparent, you put it out for an RFP and you get everyone to talk about the same criteria that we are looking for as a city. Then you can make your recommendations, then you can come up with your contract, and then you can ask the Board of Aldermen to approve it and we will. The Board of Aldermen's role is to approve the contract that you come up with. Counsel said you can't come up with a contract based on talking with any one person. The City Treasurer alone can't determine whom we are going to go with.

As an alderman, I won't approve that. With all due respect for the judgment of the City Treasurer but I think you have to make it transparent and you have to use the RFP process. This is no reflection adversely on anybody. It's simply a matter of good financial practice for the city. I think we are beating our gums, unless you want to make a change, and the Mayor and the City Treasurer, then go ahead, do the criteria, go for the RFP and come back for a contract and then we will be able to work on it. I'm not going to sit here and consider one contract only. I won't do it.

Alderman Simonetti asked, how much do we spend a year in bank service charges, or even in a month? Is it a \$1,000, \$200, for the number of checks and deposits we get?

Mr. Weber stated, that would be on the account analysis.

Mr. Marusic stated, this is nothing that gets paid, this a paper computation, there's no money changing hands on that.

Alderman Simonetti asked, they just slip it out of their deposits?

Mr. Marusic replied, they take the deposits, for example in this account, for every dollar worth of services there was only \$230 worth of services on this. They require \$1,574 of deposits. So that little \$230 requires \$1,574 for every dollar, if you run a calculator, that's \$363,000 that's required to offset, to equal the service cost.

Mr. Weber stated, you get a credit every month from the banks and it's not interest because we can't pay interest on business deposits. So you get a credit and that offsets your fees. I will add that we often go through the RFP process and I welcome that. I know you haven't changed your banking relationship in many years and I'm not sure how it got to Wachovia, but I know many towns just want to take a look. It doesn't mean you are going to change but it's not a bad idea to look. For instance, we don't charge any FDI assessments to our towns and cities. The FDIC fund, their insurance fund is down billions of dollars because of all the failed banks that they've had over the last couple of years, so they've had to dip into that fund. Now they are charging the banks for that and some of the banks are passing that onto their customers. We are not. That's an awful lot of money when you look at

the bottom line. I welcome an RFP to show you that I can beat the big banks when it comes to cost.

Alderman Anglace stated, my recommendation to the Finance Committee is we accept Corporation Counsel's statement and adopt a procedure by resolution. Therefore we put this to bed once and for all on how it's going to be done. Otherwise the next group who comes in after us, who knows what they are going to do? You get all the players and get everybody to make a presentation and you use all the same criteria to evaluate them. I bet none of us on the Finance Committee are astute enough to compare the Standard and Poor's rating for Peoples with the Standard and Poor's rating for Wachovia. Wachovia is a national bank and People's is a regional bank and what does this mean? We aren't astute enough financially and you have to defer to guys who are. And okay, go ahead, but you don't put it in the hands of one person. You put it in the hands of the administration to do the process and come up with the criteria.

Alderman Finn stated, not to say that anything John said was incorrect, but can we have Counsel reduce that to writing?

Alderman Anglace replied, yes, I'd be glad to.

Alderman Finn stated, this way we have a hard copy which will be documentation for future boards.

(Two or three people talking at once).

Alderman Kudej stated, I think the RFP process would be the best step to take.

Alderman Simonetti asked, Mr. Pagliaro, has John Welch ever brought these concerns to your attention?

Mr. Pagliaro replied, this is what I have from John Welch.

Alderman Anglace stated, what's unfair about this is that John is looking at that contract from People's Bank and we didn't determine the criteria for that, Peoples did. They determined the standard contract or modifications that they wanted and then asked if we wanted to sign it. The answer is no. Clearly no. I want you, the Finance Director, the

Mayor and the City Treasurer to determine the criteria and then go out for the RFP and then get a broad spectrum of response and then make your decision and whomever you choose, the Board of Aldermen would have nothing to do with that. We would have nothing to do with whom you choose. All we would do then is to approve the contract that you submit to us.

Alderman Finn asked, can we have the clerk ask Corporation Counsel to provide us with a copy of the letter dated April 28, 2009 along with the comments that he made today?

Alderman Anglace stated, I'll get him to put it in writing. Then we can go forward and we can adopt a resolution and then we have a procedure in place. It's then objective. It's then transparent.

Alderman Finn asked, Lou, being the Finance Director for many many years, are you aware of any existing procedure to follow as far as depositories?

Mr. Marusic stated, everything you have has been stated by John Welch. We had a policy that was approved by the Board of Aldermen to cover investments. That was done a number of years ago when some states were having problems with derivatives and stuff like that, so we quickly jumped on the bandwagon and had guidance from the state and how it should be worded, and we worded it so we steered clear of derivatives and everything else and that clearly gave the Treasurer the opportunity to invest in these depositories but that's as far as it went. It was only on investments but it didn't cover actually transferring money between banks.

Alderman Finn asked, but there is something in writing indicating that?

Mr. Marusic replied, the aldermen approved the policy and it basically said that he can invest money in the bank as a depository, cds for example but it doesn't treat these other things such as transferring funds, taking business from one bank to another. That's not even treated there, so I think that falls into what John is saying.

Alderman Anglace stated, if this procedure had been in place a year ago, maybe the RFP process would have been followed and maybe Peoples would have come out on top. I don't know but he never would

have recommended one person. The City Treasurer had no direction. The Finance Director had no direction. That's our role, to provide direction and we haven't done it. This is not a reflection on any one person, any one company. It's simply a matter of thrashing it out and getting to the bottom of it. It took several months for me to even see what was going on and not until John Welch turned in his letter and comments that I asked them to research and find out what statutes say. You can initiate a change in the main bank depository for a good reason, a bad reason or no reason, that is your prerogative provided we give the direction and it's done fair and square and everybody gets a shot and taxpayer's interest are protected. That's where it should go.

Alderman Finn asked, so we are going to start moving forward then?

Alderman Anglace, I recommend getting counsel to get this in writing and take it up at the next full board to adopt it as a resolution. Then going forward Frank has the direction, Lou has the direction, the mayor has the direction.

Mr. Pagliaro stated, excuse me John, when you were at my office you took the letter that I had from John Welch. I never got a copy.

Alderman Anglace stated, but I faxed it to you.

Mr. Pagliaro stated, but you faxed a different one to me.

Alderman Anglace showed him the cover letter showing the letter that he faxed.

Mr. Pagliaro stated, I don't think that's the letter. There was another letter, the only copy I had.

Alderman Simonetti asked, what does the committee want to do? John do you want to restate your statement?

Alderman Kudej stated, we'll ask John Welch to issue a procedure and let the three of them work on it.

Alderman Anglace stated, I will get that from him and give it to the clerk for distribution for everyone who is here and not here.

Mr. Weber stated, I would just like to add that the agreement that the City Attorney commented on. That is not a formal agreement between us, that's our banking contract that we have with our depositors.

Alderman Anglace stated, that's right, because John made the comment that there's things in there like debit and credit cards that wouldn't impact us. It obviously was a standard contract. An RFP process would yield that type of a contract based on the criteria that we set and then we go forward and obviously there is some negotiation but that would be between the bank chosen and administration. Now would your bank object to competing with others if we opened it up?

Mr. Weber replied, not at all, we look forward to it.

Alderman Anglace stated, Frank, I knew they wouldn't object. Wachovia said the same thing. They are willing to compete as well.

Mr. Pagliaro replied, Wachovia doesn't have a phone in Connecticut. They are out of the state of Connecticut.

Alderman Anglace replied, but that would come out in the RFP. IF that's an important criteria, you would include that in the criteria and they'd be measured on it.

(Everyone talking at once).

The Finance Committee thanked Mr. Weber for coming.

### **3. 2008 Graustein Regional Discovery Grant Match Invoice**

Alderman Simonetti MOVED to recommend to the full Board to approve the 2008 Graustein Regional Discovery Grant Match Invoice dated July 9, 2009 in the amount of \$1,250.00 with funding to come from Contingency General Account #001-9900-900.99-00.; SECONDED by Alderman Anglace. A voice vote was taken and the MOTION PASSED 3-0.

### **Adjournment**

JULY 28, 2009

BOARD OF ALDERMEN  
FINANCE COMMITTEE MEETING

At approximately 6:20 p.m. Alderman Simonetti MOVED to adjourn;  
SECONDED by Alderman Anglace. A voice vote was taken and the  
MOTION PASSED 3-0.

Respectfully submitted,

Theresa Adcox  
Clerk, Board of Aldermen