

**TOWN OF SALEM  
BOARD OF FINANCE  
REGULAR MEETING MINUTES  
THURSDAY, OCTOBER 13, 2016 – 7:00 P.M.  
SALEM TOWN OFFICE BUILDING**

**PRESENT**

George Householder, Clerk  
Deborah Cadwell  
Marshall Collins  
Hernan Salas  
John Houchin, Alternate (*seated*)  
Will Evanson, Alternate (*seated*)

**ABSENT**

TJ Butcher, Chairman  
Janet Griggs

**GUESTS**

*none*

**ALSO PRESENT**

First Selectman Kevin Lyden

**CALL TO ORDER:**

Acting Chairman Householder called the meeting to order at 7:02 p.m.

**RECOGNITION OF VISITORS:** *none*

**SEAT ALTERNATE IF NEEDED:**

**M/S/C: Collins/Salas, to seat Alternate Board Members Evanson and Houchin for Full Board Members Butcher and Griggs. Discussion: None. Voice vote, 4-0.**

**COMMUNICATIONS:** *none*

**AGENDA:**

**1. APPROVAL OF MINUTES: SEPTEMBER 8, 2016 BOF Meeting**

**M/S/C: Cadwell/Collins, to approve the Regular Meeting Minutes of September 8, 2016. Discussion: None. Voice vote, 6-0.**

**2. TREASURER'S REPORTS**

- A. REVENUE SUMMARY**
- B. TRIAL BALANCE**
- C. FUND BALANCE**
- D. OTHER**

The *Revenue Receipts, Budget vs. Actual, Balance Sheet, and Capital Non-Recurring Fund* were reviewed, with no unusual occurrences. Treasurer Pam Henry stated that, as reflected in the numbers, they are entering into their slower months of activity.

Acting Chairman Householder stated that, due to conflicting schedules, they were unable to schedule a meeting to help clarify their financial reports as stated in their last meeting, but are planning to do so in the very near future. Per the Auditor, Treasurer Henry requested the Board formally approve the updating of the revenues and the manner and timeframe within which the revenues are reported.

In response to Board Member Houchin, First Selectman Lyden stated that he believed that the funding for the Registrars' training (line item 5-122 – Registrar Department) has been budgeted accurately and no additional necessary funding is expected.

The Board unanimously accepted the *Revenue Receipts, Budget vs. Actual, Balance Sheet, and Capital Non-Recurring Fund* Reports as presented.

3. **PUBLIC COMMENTS** – none
4. **SELECTMAN'S REPORT** – no report
5. **APPROVE ADDITIONAL APPROPRIATION IN THE AMOUNT OF \$1,800 TO LIBRARY LINE 5-158-415 TO FUND INTERNET SERVICE DUE TO STATE OF CT BUDGET CUTS**

First Selectman Lyden reported that the Board of Selectmen approved the additional appropriation at their October meeting. He explained that, while the Board of Finance did a good job of anticipating the State's cuts, this particular cut is an additional unanticipated cut due to the State's cuts to each of their respective departments. As such, funding for the Connecticut Education Network (CEN), which provides internet access for the Salem Free Public Library, has been eliminated, passing the cost of \$150.00/month to the Town. Because there is no rush to fund the item at this time, he suggested the Board take the time to review the information and act upon the additional appropriation next month.

#### 6. **AUDIT DISCUSSION**

Marcia Marien, CPA, O'Connor Davies, LLP, reviewed the 2016-2017 financial highlights for the Town, as of June 30, 2016, including:

Teachers' Retirement – They are currently awaiting answers to questions regarding Teachers' Retirement, which is paid for by the State. Due to the State's deficit, over \$8 million has not yet been paid and must be reported in the footnotes as a disclosure item. The item is due on December 31.

Short Term Balance Sheet – includes three (3) basis' of accounting based on a modified accrual basis of accounting for, basically, fund balance or working capital and assets and liabilities that will turn into cash within 60 days. The Town's three main funds – Major Funds; Capital Non-Recurring Fund, which includes the funding activity for all of the Town's projects, and; Other Funds – are included on this Sheet. Any remaining, unused funds in the Capital Non-Recurring Fund are included in the Assigned Fund Balance and

can be used for other Capital items. She commended the Board with planning the funding of these items.

General Fund – includes the Town’s short-term assets, liabilities, and accounts payable, including the Resident State Trooper program. The Fund Balance is divided into three (3) categories, one of which is restricted, i.e., under the direction of an outside source. The Assigned Fund Balance includes encumbered amounts that have been designated for a specific purpose, e.g., revaluation fees. Unassigned Fund Balance includes the Town’s working capital. Moody’s Investors Service currently recommends a 10% Unassigned Fund Balance for municipalities in the State of CT, while the Government Finance Officers Association (GFOA) recommends 16%. She suggested visiting [gfoa.org](http://gfoa.org) and utilizing their calculator to determine the Town’s rule of thumb for the Unassigned Fund Balance. In comparison to other towns, Salem’s Unassigned Fund Balance of 15.966% is healthy and in the top one-third of New London County. She also suggested the possibility of drafting a policy regarding any large expenditure(s) and instituting a mil limit increase. She noted that more funds were collected and less funds were spent by the General Government, Board of Education, and Capital Funds than projected.

First Selectman Lyden stated the need for the Town to keep in mind that the Town of Salem does not have individual large taxpayers like other Towns, but does have other funding that can affect their budget.

Tax Collections and Receivables by Town – The Town, which was budgeted to collect 97% in taxes, actually experienced a 98% tax collection rate for fiscal year 2015-2016. The tax collection rate was raised for fiscal year 2016-2017. The average rate in the State is 98.3% and 97.89% in the County. With regards to back taxes, Salem’s rate is 2.75%, which is lower than the average for the County (3.5%).

Budget vs. Actual for Grants – While the Town has collected more Grant Revenue than expected, she recommended the Town be more vigilant with placing items in the right “buckets” and questioning those items that have not yet been collected. She recommended Treasurer Henry provide the Board with reports generated directly from the accounting program rather than in an excel format, which jeopardizes the internal controls. More detailed or graph reports can be provided additionally. For transparency purposes, she also recommended the Board make formal motions regarding where the funds derive.

Non-Major Fund Income Statement – includes special revenue type funds, including Grant, Senior Citizens, Dog, School Cafeteria, Community Foundation Grant, Needy, Education Grant, and Small Cities Grant Funds. These particular funds do not require a Town Meeting for approval of expenditures. The Small Cities Grant is a revolving loan program for homeowners who need to conduct capital repairs, but do not have the funds to do so. A lien is placed on the home and the moneys are returned with a 0% interest to the fund when the ownership of the home is transferred. Received two years ago, the bulk of

the funds received (\$400,000.00) have been spent for the time being. The Town may re-apply for the funding in the future. Also included are the School Construction, Land Acquisition, and Open Space Land Acquisition Funds.

Long-Term Debt Summary – No new long-term debts were adopted for the fiscal year. Old debts that were rolled over include Outstanding Bonds; Notes and Loans; Compensated Absences, which includes funds owed to the employees for sick and vacation time should the Town have closed down on June 30, and; Post Closure Landfill Costs, which fulfills any remaining required obligations.

Other Post Employment Benefits – includes health insurance for retirees and is known as an Implicit Rate Subsidy and is calculated at \$1.2 million for the Town of Salem. Though there are no retirees receiving health insurance, it is still considered a liability and is required to be included as part of the report.

Revenue vs. Bond-Type Debt Over Time – Currently, the Town has \$4.5 million in debt, accounting for 28% of the revenue. In comparison to other towns in the County, Salem has the best less debt and a higher fund balance. The State average is 61% and 53% for the small towns.

Long-Term Balance Sheet indicates that the Town has approximately \$28 million in assets, \$7 million in liabilities, and \$21 million in equity, which is very positive.

Long-Term Income Statement reflects the Town's expenses and revenues, including accrual and depreciation, for the Town's Governmental Activities and the amount being taken from the Town's taxes to pay for these activities. The Statement shows that the health of the Town's Net Position has gone up by \$1.2 million.

The History of Town's Net Position shows what the Town has invested in Capital over the years and reflects that the Town's equity is rising at a steady rate.

In response to Acting Chair Householder, CPA Marien stated that, last year, the State established a Municipal Spending Cap stating that the Town's General Budget is not to increase over 2.5%, which for the Town of Salem is \$360,000.00. Should the budget increase over the allotted amount, the Town will forfeit their municipal sharing money, which amounts to \$85,000.00 for Salem. The Cap allows for an exception for debt service. The Connecticut Conference of Municipalities (CCM) and a number of towns have been voicing their opposition to the Cap.

First Selectman Lyden informed the Board that he has discussed the implementation of presenting three possible options to the Board during budget season with CPA Marien. The options would include a 0 mil increase, 0.25 mill increase, and 0.50 mill increase and can be utilized as a guideline as the Board determines the final budget.

CPA Marien felt that the Town is one of the most financially stable towns in the State. She recommended visiting the GFOA website where they offer information regarding Capital Plans and best practices for investing, debt, etc. At Acting Chair Householder's request, she will provide the Board with a format that the Board can utilize as a guideline for determining an adequate Unassigned Fund Balance amount. Discussion ensued regarding the establishment of a written guiding document, policy, or resolution to be followed by the Board.

CPA Marien was thanked for her presentation. She also commended the Town for their diligence, adding that it is one of their favorite towns to work with as they pay attention and aim to ensure best practices. In addition, the personnel, i.e., First Selectman Lyden, Finance Specialist Lisa Jablonski, and Treasurer Pam Henry, are conscientious and aim to do a good job.

## 6. CAPITAL PLAN DISCUSSION

### GARDNER LAKE VOLUNTEER FIRE DEPARTMENT

Chief James Savalle requested the following revisions to their previously submitted Capital requests:

- addition of Personal Protection Equipment (PPE) Fire Gear and Hose for fiscal year 2026-2027 (Capital Plan Line Item 41)
- update the cost of the Thermal Imaging Cameras for fiscal year 2017-2018 from \$14,800.00 to \$17,800.00, due to newer available technology. The cameras have an expected lifespan of 10-15 years.

He also provided the Board with updates on the following items:

- He will be meeting with the Engineer next week to fine tune the plans for the Tanker Truck (Capital Plan Line Item 38). They are currently in the process of researching how to obtain an IRS DUNS (Data Universal Number System) Number, which will enable them to apply for a number of grants. Board Member Householder informed him that there is a new \$320 million grant program for trucks and equipment that will begin next week.
- He is working with the First Selectman and Integrated Security Systems, who cares for the alarm systems at the Fire House and Town Hall (Capital Plan Line Item 38), to replace the Telephone Communication System.

**M/S/C: Houchin/Salas to provide the initial approval to add the following item to the Capital Fund:**

<b>2026-27</b>	<b>\$14,000.00</b>	<b>Capital Line Item 41</b>
		<b>Personal Protective Equipment Fire Gear &amp; Hoses</b>

**Discussion: Acting Chair Householder stated that the item will be continued and need not be requested every year unless there is a price increase. Voice vote, 6-0, all in favor.**

**M/S/C: Collins/Salas, to provide the initial approval to increase the following item on the Capital Fund:**

**2017-18    ~~\$14,800.00~~ \$17,800.00    Capital Line Item 43  
Thermal Imaging Cameras (2)**

**Discussion: None. Voice vote, 6-0, all in favor.**

#### SALEM FIRE VOLUNTEER FIRE COMPANY

Chief Rick Martin requested the following revisions to their previously submitted Capital requests:

- addition of PPE Fire Gear and Hose for fiscal year 2026-2027 and increasing the line item from \$10,000.00 to \$12,000.00 due to inflation and a recent review of their current inventory. According to the NFPA (National Fire Protection Association), the gear has a 25-year lifespan and most of the gear was purchased in 2000-2001. (Capital Plan Line Item 51)
- addition of the Replacement of Boots, Helmets, Gloves, and two (2) Hoods. It is recommended that all firefighters have two (2) hoods to help avoid the absorption of carcinogens.

Acting Chair Householder informed the Board that he is currently working with the Fire Company to write grants for the purchase of the PPE and other equipment, including the fire truck (Capital Line Item 50), but recommended budgeting the item for the entire amount for the time being. Should they be successful in receiving the grant for the truck, the required 5% or \$35,000.00 has already been budgeted and is included in the narrative for the application.

Chief Martin informed the Board that the amount for the GLVCO/SVFCO Scott RIT Pack Replacement budgeted for 2017-18 for \$15,500.00 might be slightly reduced (Capital Line Item 36).

**M/S/C: Collins/Salas, to provide the initial approval to add and increase the following item on the Capital Fund:**

**2026-27    ~~\$10,000.00~~ \$12,000.00    Capital Line Item 51  
PPE Fire Gear & Hoses**

**Discussion: None. Voice vote, 6-0, all in favor.**

#### RECREATION COMMISSION

Recreation Chairperson Sue Spang provided a brief background and requested the following item be placed back on the Capital Plan:

2018                    \$21,000.00    Resurfacing of Tennis and Basketball Courts

The estimated annual maintenance cost of \$3,000.00/year is included in the amount. Funds for minor maintenance repairs, including patching and fence repairs, have been coming out of the Recreation Commission's operating budget. With the resurfacing, the Commission's budget should be decreased for the first four to five years. Both courts are being regularly utilized. Chairperson Spang stated that the courts were installed in 2009 and the estimated life span is four to seven years. She will investigate whether the court(s) can be covered during the winter months to help extend the life span.

**M/S/C:    Evanson/Collins to add the following item to the Capital Fund:**

**2018    \$21,400.00    Repairing/Resurfacing of the Basketball/Tennis Courts**

**Discussion: None. Voice vote, 6-0, all in favor.**

**OLD BUSINESS:** *none*

**ADJOURNMENT:**

**M/S/C:    Collins/Salas to adjourn the meeting at 8:43 p.m. Discussion: None. Voice vote, 6-0, all in favor.**

Respectfully Submitted by:

Agnes Miyuki, Recording Secretary for the Town of Salem