

**TOWN OF SALEM
BOARD OF FINANCE
REGULAR MEETING MINUTES
THURSDAY, OCTOBER 10, 2019 – 7:00 P.M.
SALEM TOWN OFFICE BUILDING**

PRESENT

William “Skip” Dickson, Chairman
Marshall Collins, Clerk
Deborah Cadwell
Janet Griggs
John Houchin
Hernan Salas
Maryann Casciano, Alternate
Corinne (Cory) Bourgeois, Alternate

ABSENT

Michael Jensen, Alternate

CALL TO ORDER:

Chairman Dickson called the meeting to order at 7:05 p.m.

RECOGNITION OF VISITORS: *none*

SEAT ALTERNATE IF NEEDED: *none*

COMMUNICATIONS: *none*

PUBLIC COMMENT:

Horace Lindo, a long-time Salem resident and property owner and a former member of the Board of Finance, spoke with regards to the Gardner Lake Volunteer Fire Company (GLVFCO)’s Ambulance Fund. He expressed his disappointment with the Auditor’s report regarding how the books have been kept and the expenses which they felt were inappropriate (page 3 of report). He was insulted that such a forum was utilized to insult his wife, who has been keeping the books for the Ambulance since its inception, and the Fire Department.

Alternate Board Member Casciano expressed her understanding of the report, which is to separate the accounting practices of the Fire Company and the Ambulance.

Mr. Lindo continued to state that there is not a great deal of funds received for ambulance services and the Fire Company is very responsible with the funds that are received. He felt that the Auditor’s suggestion for utilizing accrual accounting (page 7) was unreasonable as it would result in a high accounts receivable amount, which would never be collected. He also stated that the ambulance costs for utilities and salaries (page 8), which is funded by the Town, include that of the Fire Company and are, as the result, misleading. Clerk Collins stated, and Mr. Lindo agreed, that approximately 87% of the calls for service are ambulance-related.

Mr. Lindo also spoke with regards to the original agreement between the Town and the Ambulance regarding the funding of the ambulance program. The intent of the agreement was to ensure that adequate funding was provided for the future purchase of a new ambulance; any remaining funds would be utilized for any expenditures the Fire Company deemed appropriate. In comparison to neighboring towns, the Town has a great ambulance system and is very fortunate to have dedicated professionals running the ambulance. Unfortunately, it appears that the Town is working against them. All of the funds that are generated by the ambulance serve the Town of Salem and has been and is being properly and appropriately expended.

When questioned as to the percentage of time the ambulance serves other towns by Alternate Board Member Casciano, Mr. Lindo was unsure, as the number varies. All of the towns have their own ambulance system and there is a mutual aid system in place. He added that the stipend system, which was originated by then-Fire Chief Donald Bourdeau, Jr., is a good system, given that they receive up to five calls per day and involves a substantial commitment of time and effort. He reiterated that the Fire Company's ambulance services feel that the Town is not supportive of them and their efforts.

ADDITIONS TO THE AGENDA: *none*

AGENDA:

1. APPROVAL OF MINUTES: SEPTEMBER 12, 2019, REGULAR MEETING

M/S/C: Cadwell/Casciano, to approve the Regular Meeting Minutes of September 12, 2019.

Discussion: None. Voice vote, 3-0-3. Voting in Favor: Board Members Cadwell, Dickson, and Salas. Voting in Opposition: None. Voting in Abstention: Board Members Collins, Griggs, Houchin.

2. TREASURER'S REPORTS

A. REVENUE SUMMARY

B. TRIAL BALANCE

C. FUND BALANCE

D. OTHER

Treasurer Pam Henry reviewed the *Balance Sheet* and stated that there were no unusual occurrences. In reviewing the *Budget vs. Actual* report, she reported that they have not yet received funding for TAR (Town Aid Roads), Line Item 420000-001. In response to Board Member Griggs who questioned Line Item 5-126-202, Town Counsel – Labor Relations, which is 85.4% expended, Chairman Dickson stated that the First Selectman has not indicated any concerns at this time.

Board Member Houchin noted the following Line Items:

4-094-054, Licenses & Permits, Miscellaneous, in which the town has collected 168% of the projected amount – Treasurer Henry stated that the amount fluctuates throughout the year as funds are placed in the line item as a temporary holding place until they are properly dispersed.

4-097-070, Miscellaneous, Insurance Claims/Refunds, which indicates that the town has received 160.9% of the projected amount.

410000-1010, General Property Tax, Current Year, which is at 56.5% of its projected amount, which is in line with the previous year.

420000-099, State/Federal Grants, Miscellaneous, which is at 100% of its project amount – The line item includes funds received from tickets and is received three to four times a year.

Board Member Houchin questioned/called attention to the following Line Items that should be monitored as the fiscal year continues:

5-134-212, Town Office Operation, Town/Commission Advertising, which is at 42.5% – The line item may include costs related to this year's Bicentennial Celebration/Festivities.

5-152-814, Town Services, Health Services, which is at 49.3%.

5-220-215, Gardner Lake Fire Company, Professional Fees, which is at 50.2%.

5-220-617, Gardner Lake Fire Company, Vehicles Maintenance, which is at 43.9%.

5-222-018, Salem Volunteer Fire Company, Fire Fighter Equipment, which is at 85.8%.

5-222-618, Salem Volunteer Fire Company, Repair/Maintenance Vehicles, which is at 52.6%

5-222-622, Salem Volunteer Fire Company, Radio Repair, which is at 67.7%.

5-230-624, Ambulance, Repair/Maintenance, which is at 42.5%.

5-630-425, Planning & Zoning, Other Expenses, which is at 153.8%.

5-910-992, Interest Payments, 2012 School Rev Bond Interest, which is at 300.8% – Funds for this line item should have been recorded in the line item for Principal and will be corrected.

3. PUBLIC COMMENTS: *see above*

4. SELECTMAN'S REPORT

On behalf of the First Selectman, Chairman Dickson presented the Selectman's Report.

The United Way Mobile Food Pantry, which distributes food every first Wednesday of the month, served 92 families this month. He extended his appreciation to all of the volunteers who help serve food to those in need. The next Mobile Food Pantry will take place on Wednesday, November 6, 5:00 p.m., behind Salem School.

Last week, 30 Salem Seniors enjoyed lunch at *Two Brothers* Restaurant. The Seniors meet for lunch at the Restaurant on the first and third Tuesday of each month. He extended his appreciation to Senior Liaison Pam Henry for her fine work with the Seniors.

Bulky Waste Amnesty Day will be held on Saturday, October 19; Sunday, October 20, and; Wednesday, October 23. Electronics, metals, and mattress are always accepted, free of charge, and refrigerators and construction material are accepted for a fee.

A very successful Coffee with Cop event was held on October 2. Many residents attended and discussed their concerns with the Town's Resident State Troopers.

5. CAPITAL PLAN DISCUSSION

A. Send letter to all Departments to review their Capital item requests and submit the requests with documentation before the December Board of Finance Meeting

The Board reviewed the letter that will be sent to all of the Town's Departments regarding their Capital Plan request(s). A copy of the current Capital Plan will not be sent with the letter, but is available upon request.

M/S/C: Collins/Houchin, to approve the letter addressed to all Town Departments regarding their Capital item requests, as presented. Discussion: None. Voice vote, 6-0, all in favor.

B. Other discussion items regarding the Capital Plan

The Board Members agreed to maintain the 10% Capital Plan limit, which was enacted last year, and had no additional items for discussion regarding the Capital Plan.

5. AUDITOR RESULTS: GLVFC (*see file copy*)

On behalf of the Board, Chairman Dickson stated their support for the Ambulance and both Fire Companies. He added that there are no ill or personal feelings nor any agenda or opposition to the Ambulance and/or the Fire Companies. Their discussions regarding the Auditor's report are and will be centered around what is in the best interest of the Town.

Clerk Collins stated that, in August, the Auditor's review of the Ambulance Funds was presented to the Board. On August 31, he sent a memo to the Board Members regarding each of the recommendations, some of which, he felt, represent best practices and should be adopted while others would be premature to act upon. The items were outlined as follows:

FLSA (Federal Labor Standards Act) – Clerk Collins felt, and the Board Members agreed, that the Attorneys for the Town and Gardner Lake Fire Company are continuing to discuss the issue and it would be premature for the Board to discuss it at this time. The issue must be resolved prior to and revisited during the budget process. Board Member Griggs added that, should there be no resolution, the Board might opt to seek legal guidance as to how the issue should be handled from a budgetary standpoint.

Revisions to the 2003 MOU, as stated on page 6:

- (1) Specifically identify allowable and unallowable costs – Clerk Collins felt that identifying these costs is considered best practice, would assist them during the budget process, and, therefore, should be supported by the Board. Board Member Griggs felt, and the Board Members agreed, that the Board of Selectmen and the Ambulance Division should discuss and agree upon those costs that are allowable and unallowable and that it is not under the purview of the Board to determine those costs or the structure of how their business is managed. Clerk Collins added that the MOU should reflect those mutually agreed upon allowable/unallowable allocation of funds and, because the Ambulance Division receives

Town funding, it is the Board's responsibility to ensure that those funds are being utilized appropriately and the rules that have been established in the MOU are being complied with. Furthermore, the Board has a right and obligation to require that certain fundamental financial procedures be instituted, e.g., following best practices. Board Member Houchin agreed, adding that the identification of these costs would aid the Board in the crafting of future budgets as it would clarify the Town's financial responsibility.

- (2) The agreed amount of funds the Ambulance Division can keep in reserve – Clerk Collins agreed with the recommendation, stating that this would also assist the Board when formulating the budget. Board Member Griggs offered a different perspective, stating that, because the Ambulance Division is a private entity, the Town has no right to set that amount. The reserve ("sinking fund") was established to fund the replacement of a new ambulance and the revised MOU should explicitly state that the fund be sufficient enough to support the purchase of a new ambulance to ensure that the Town is not presented with an unexpected Capital request; neither the Town nor the MOU should specifically designate that amount. She also noted that there are two differing legal opinions on the matter. Clerk Collins felt that this is not a legal issue and that, from a budgetary standpoint, there should be an *agreed* upon amount that is kept in reserve. The Ambulance Division is funded by the Town and, as such, the taxpayers should be aware of how much of their funds are being allocated to the reserve. Board Member Salas agreed that, for the sake of transparency, the public should be aware of the amount they have in reserve; that amount, he added, could be a percentage, rather than a definite amount, which would need to be changed over time. Board Member Casciano felt that the main issue revolves around the fact that the current (2003) MOU relates only to the Fire Company and not the Ambulance. As such, the Auditors, in essence, are recommending that an agreement delineating the two entities and, thereby, clarifying the fiduciary duties of each entity be drafted. Clerk Collins agreed, adding that many of the Auditor's recommendations deal with the blurring of the two agencies and the MOU should be modified to address that issue. Board Member Houchin questioned whether it was under the purview of the Board to dictate what the Fire Company and Ambulance should or shouldn't do or that of the Board of Selectmen and the Fire Company. Chairman Dickson felt that it is not the function of the Board to become involved with the drafting of the MOU, but that it would be appropriate for them to provide their comments and/or recommendations regarding those items that are related to fiduciary matters. Clerk Collins concurred, adding that both the Board of Selectmen and the GLVFCO should be provided with those recommendations that, from a fiscal standpoint, are considered best practices and the Board supports. He reiterated that the *agreed* upon amount of funds that is kept in reserve should be specified; the amount would be neither designated nor micromanaged by the Board. Board Member Houchin agreed, stating that the recommendations, with the exception of those noted, should be utilized as a guideline to generate an updated MOU recognizing the Ambulance Division and Fire Company as two separate entities.

- (3) Periodic financial reporting requirements
- (4) Require a balance sheet and operating statement be provided to the Town annually. These should also be submitted as part of the Ambulance Division's annual budget request.

- (5) Capital Plan requirements

Clerk Collins felt, and the Board Members agreed, that items 3 to 5 should be supported by the Board as they are considered best practices and clearly recommend the disaggregation of the GLVFCO and its Ambulance Division's funds.

- (6) Audit requirements

Clerk Collins felt, and Board Member Griggs agreed, that periodic financial recording requirements should be provided, complete with a balance sheet, operating statement, Capital Plan, etc. Board Member Griggs added that it would be beneficial to separate the finances of the two entities using an acceptable accounting method, e.g., by allocation of space or of calls for service.

Volunteer Stipend Program – It was agreed that the Program is not under the Board's purview.

Ambulance Revenues and Receivables (page 5) – It was agreed that the Ambulance Division should have a policy regarding their accounts receivable and that they are adhering to good accounting practices. Board Member Griggs added, and the Board agreed, that the Board should not be dictating what type of accounting practice they should be using and/or how they should run their business.

The Board discussed, at length, whether the Board should have access to their books and records. Because the Town provides funding to the Ambulance Division (Department 5-230), it was felt that their revenues and receivables were under the Board's purview. Those who disagreed felt that, because the GLVFCO's Ambulance Division is a separate business entity from the Town, who is, in essence, paying for a service, the Board, i.e., the Town, does not have any jurisdiction over their accounts. The Town annually provides approximately \$40,000.00 in funding to the Ambulance Division.

In response to GLVFCO Ambulance Division Bookkeeper Christine Lindo's interjection regarding the inclusion of the Fire Department's costs in the Ambulance Department's line items, Board Member Griggs suggested that the Board adjust and correct the amounts indicated in each of the two entities line items. Chairman Dickson questioned the necessity of such an action, given that each of the departments present their budgets and the numbers are provided by each of the departments. Clerk Collins noted that one of the recommendations in the Audit report does state that "the expenses specifically unrelated to the provision of ambulance services be paid out of the Fire Company's funds" (page 4). Board Member Salas reiterated the need and importance for transparency.

Mr. Lindo also interjected, stating that the Ambulance Division ends each fiscal year with approximately \$20,000.00 of unexpended funds. The funds are deposited into an account

designated for the purpose of purchasing a new ambulance. Should the Board require the adoption of additional bookkeeping and other systems, their funds would quickly dissipate and result in the demise of the Ambulance. He added that the Ambulance Board is very conscientious of their funds and expressed his growing resentment as the Board continues to argue about their funds in an effort to upset them. The Ambulance service is *the* most important service the town offers and there will no longer be anyone available to answer their calls for help should the Board continue to provoke them.

In response, Board Member Salas stated that the Board is not, in any way, against them.

Alternate Board Member Bourgeois recited the paragraph on page 3 of the 2003 MOU, which states that the Town has access to the books and records of the GLVFCO:

- “1. Upon reasonable request and at reasonable intervals, the Salem Town Auditor would have access to the books and records of the Gardner Lake Fire Company, Inc. regarding the funds received by the Fire Company for the provision of ambulance services, and the expenses incurred in connection with the provision of those services. The Gardner Lake Fire Company would cooperate with the Town Auditor in his or her review of the books and records, and the Town Auditor would report his or her findings to the appropriate officials of the Town of Salem.
2. The Gardner Lake Fire Company plans to use the net funds from the provision of ambulance services (i.e., the amount remaining after the payment of expenses associated with the provision of those services) for the following purposes:
 - a) The purchase of a new ambulance to replace the ambulance presently being used.
 - b) Once sufficient funds are used (or set aside) for the new ambulance, a sinking fund would be set up and annual deposits would be made to fund the replacement of the new ambulance at the end of its useful life (estimated to be ten years).
 - c) Remaining funds would be used for supplies and equipment for medical, emergency and related services in the Town of Salem.”

Clerk Collins stated that the term “reasonable” is vague and, to avoid any abuse from occurring by either parties, the term should be clarified and timing be specified. In response to Board Member Houchin’s question regarding any excess funds the Ambulance Division might have at the end of the fiscal year, Clerk Collins questioned whether the Ambulance Division should be treated like the Board of Education or any other Town department in which any unexpended funds are returned to the Town at the end of each Fiscal Year. In such a manner, the Board would also be able gauge whether the Ambulance Division is being adequately funded. Board Member Salas stated that the item should also be addressed in the MOU.

Board Member Griggs felt that, because the Ambulance Division is a private business entity (LLC), the Town does not have the right to request a record of their books as they would the Board of Education, which is a public entity. Clerk Collins disagreed. He stated that an MOU is

a contract that is negotiated between two parties, whether one of those parties is public or private entity is not the issue. Because the Town is providing funds to the Ambulance Division, the Board has a right and should be aware of where their funds derive from, how they are being expended, and whether they are being over- or under-funded. The Board is merely requesting that the two parties be separated such that the numbers could be clarified and the Board could accurately determine the budget for the Town. Board Member Salas suggested the possibility of recommending that the Board of Selectmen and GLVFCO's Ambulance Division discuss the Auditor's recommendations, draft a new MOU, and request that those funds which are being allocated to the Ambulance services be accounted for. Board Member Griggs agreed that the Board should be provided with a report of those items the Town is funding as well as other funds they are utilizing to offset those expenses, but was opposed to requiring a full accounting of their entire business.

Ambulance Sinking Fund (page 3) – Discussion regarding the agreed amount of funds the Ambulance Division can keep in reserve was revived. Due to a difference of opinion, the Board opted to take no position on the recommendations provided on this matter at this time.

Disbursement of Ambulance Funds in Compliance with the MOU (page 4)

Cost Allocation Plan – It was reiterated and agreed upon that the two entities be segregated and a cost allocation plan be developed and implemented. It was further clarified that the details of the Plan are not under the purview of the Board.

Ms. Lindo interjected, stating that the GLVFCO and its Ambulance Division are already in compliance with a number of recommended items, including the existence of a cost allocation plan and invited the Board to meet with the two entities to further discuss these items. It was reiterated that the MOU is to be negotiated by the Board of Selectmen and GLVFCO and Ambulance Division; the task of the Board of Finance is to provide their feedback to the Board of Selectmen such that the Board of Finance would be able to meet their financial obligations to the Town.

Expenses specifically unrelated to the provision of ambulance services be paid out of the Fire Company's funds – The Board was in agreeance with the recommendation.

The MOU be updated to specifically identify allowable and unallowable costs – *see above discussion*

Ambulance Revenues and Receivables (page 5)

Billings be recorded in the general ledger on a monthly basis as accounts receivable.

Collections, adjustments, receivable write offs and an allowance for uncollectible accounts should also be recorded in the general ledger.

Accounts receivable be reviewed and uncollectible accounts written off. A formal policy should be developed and implemented for accounts receivable write offs that includes proper authorization (Board approval) and required supporting documentation.

The Board agreed upon the recommendation that the Ambulance Division follow standard, good accounting practices and that a formal policy should be developed. The details of the policy and the particular accounting method would not be under the Board's purview.

Discussion regarding whether the Board has any jurisdiction over the Ambulance's accounts, to which the Town contributes, was revived. Board Members Collins and Salas agreed that, because the ambulance is funded by the public, it is their responsibility to be aware of how the funds are being expended. Board Members Houchin, Bourgeois, and Griggs felt that, as an LLC, they are a separate business entity and the Town is purchasing a service from them and, as such, would not have any jurisdiction over their accounts. However, they should comply with the Board's requests.

The question arose as to whether it might be simpler for the Town to hire the GLVFCO for their ambulance services; should the Town not accept the cost of their services, they could opt to be serviced by another organization. It was stated that, due to the blurring of the costs over the years, it would be difficult to determine the exact cost for the service and, due to State-related issues, it would be difficult to change services.

Clerk Collins felt that they should approve a motion informing the Board of Selectmen and the GLVFCO that the Board supports certain recommendations as presented by the Auditors and that the Board expects the changes to be completed prior to the budget season. Should the recommendations and MOU not be complied with, the Board would have great difficulty in determining and presenting the FY2020/21 Budget to the taxpayers, who have a right to know the appropriation of their funds. Each department should be following best practices.

Similarly, Board Member Houchin proposed a motion stating that the Board endorses the recommendations by the Auditor that the currently existing MOU needs to be renegotiated and that it represents the splitting of the Fire Department from the ambulance services and specifically addresses and clarifies the issues presented in the Audit. Alternate Member Bourgeois agreed, adding that the motion should also request to have the books periodically audited. GLFVCO Ambulance Division Bookkeeper Lindo interjected that their books are audited every three (3) years.

The importance of the Town and the GLVFCO to establish an agreed upon MOU that specifically addresses the issues raised by the Auditor prior to the budget season was briefly discussed. The MOU is a contract and an agreement between the two parties; it is irrelevant whether one or both of the parties is a private or a public entity.

M/S/C: Collins/Griggs, to notify the Board of Selectmen and the Gardner Lake Volunteer Fire Company Ambulance Division that the Board of Finance recommends the implementation of the June 4, 2019 O'Connor Davies Audit recommendations, with the exception that the Board of Finance takes no position at this time on the recommendations indicated on page three (3) regarding the Ambulance Sinking Fund and the bottom of page six (6) regarding the Volunteer Stipend Program.

Discussion: The Board agreed that the separation of the two entities as well as the institution of good accounting practices were understood in the Auditor's report. Board Member Griggs stated that the revised MOU should override any and all pre-existing agreements between the two entities. Voice vote, 6-0, all in favor.

PUBLIC COMMENT:

GLVFCO Board Secretary Ruth Savalle stated, in response to Board Member Salas' concerns regarding their transparency, that the GLVFCO regularly submits purchase orders for repairs, equipment and the like to the Town. In addition, being very honest and mindful of the townspeople's funds, the GLVFCO did return their excess funds to the Town approximately two years ago. She expressed her sadness regarding the Board's wish to segregate the Fire Company and the Ambulance Division as it is similar to that which the Town is attempting to do with her husband by providing him with the option to continue as the (volunteer) Fire Chief or be employed as a paid Firefighter.

Chairman Dickson interjected to clarify that the Board is seeking to aggregate the costs due to the nature of the budget, not to physically segregate the two entities.

She further stated that, because many of their neighboring towns are hindered from answering calls for service due to fiscal issues or lack of communication between the ambulance and fire company, our Town's Ambulance Service often responds to their calls for service. The Town's efforts to undermine the Department will result in a similar situation as their neighboring towns. The GLVFCO is about helping the townspeople. With regards to the Audit, she stated that the Auditors requested to view the income sheets. These income sheets include the names and addresses of the people who have been served by the Ambulance and would be a direct violation of the Federal HIPAA (Health Insurance Portability and Accountability Act) Law and violate their policy to protect the privacy of these individuals. She thanked the Board for listening to her concerns.

OLD BUSINESS: *none*

ADJOURNMENT

M/S/C: Houchin/Salas, to adjourn the meeting at 9:08 p.m. Discussion: None. Voice vote, 6-0, all in favor. Meeting adjourned.

Respectfully Submitted by:

Agnes T. Miyuki, Recording Secretary for the Town of Salem