

**BOARD OF FINANCE MEETING
SALEM TOWN OFFICE BUILDING
SPECIAL MEETING MINUTES
MARCH 15, 2018 – 7:00 P.M.**

PRESENT

George Householder, Chairman
Marshall Collins, Clerk
Deborah Cadwell
Janet Griggs
John Houchin
Hernan Salas
William “Skip” Dickson, Alternate (7:06 p.m.)

ABSENT

Corinne (Cory) Bourgeois, Alternate
Michael Jensen, Alternate

ALSO PRESENT

First Selectman Kevin Lyden

CALL TO ORDER:

Chairman Householder called the meeting to order at 7:00 p.m.

RECOGNITION OF VISITORS: *none*

SEAT ALTERNATE IF NEEDED: *none*

COMMUNICATIONS:

1. A list of questions submitted by Clerk Collins for the Board of Education (BOE), as discussed at the March 8 Board of Finance Meeting. The questions have been relayed to Superintendent Joseph Onofrio and BOE Chairman Sean Reith, who will review and respond to the questions.
2. Correspondence from Administrative Assistant Louise Tyszkiewicz reminding them to submit the dedications and photographs for the Town’s Annual Report.

AGENDA:

1. APPROVAL OF MINUTES: March 8, 2018 BOF Regular Meeting

M/S/C: Griggs/Collins, to approve the Regular Meeting Minutes of March 8, 2018, with the following amendment:

Page 1: **SEAT ALTERNATE IF NEEDED:** ~~none~~

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

2. ACT ON PROPOSED APPROPRIATIONS FOR FY2018-2019

First Selectman Lyden presented the Selectmen’s Operating Budget, which has been approved by the Board of Selectmen and reflects a 2.14% increase over the FY2017/18 budget.

Chairman Householder requested that the FY2017/18 and Expenditures columns for Departments #100, #105, and #126 be switched to correspond with that of the other Departments.

A. #100 SELECTMAN'S DEPARTMENT

First Selectman Lyden presented a flat budget for Department #100 – Selectman's Department.

M/S/C: Collins/Houchin, to approve the appropriation of funds in the amount of \$7,752.00 for Department #100 – Selectman's Department, subject to review and/or revision. Discussion: None. Voice vote, 6-0, all in favor.

B. #105 SALARIES

The majority of the line items for Department #105 – Salaries include a 2.5% increase. Those receiving more than 2.5% include the Assistant Tax Collector, who is now a certified Tax Collector; Assistant Tax Assessor, who is now a CCMA (Certified Connecticut Municipal Assessor) I; Treasurer, who is now handling the Capital Plan with the Financial Specialist, and; Recreation Coordinator, who has been running more programs for its residents. The Town currently employs a total of 14 (fourteen) employees, eight (8) of whom are Union, down from 17 (seventeen) since 2009. The Union employees account for 41% of the Town's payroll. The Library currently has eight (8) part-time staff members.

The following changes/adjustments will be made to the Department's budget:

Line Item 5-105-112 – Town Planner:	Delete
Line Item 5-105-113 – Recording Secretary:	Increase to \$7,806.00

In response to Board Member Houchin, Finance Specialist Lisa Jablonski stated that the final budget that is presented to the public will include the percentage increases.

M/S/C: Collins/Griggs, to approve the appropriation of funds in the amount of \$1,173,952.00 for Department #105 – Salaries, subject to review and/or revision. Discussion: None. Voice vote, 6-0, all in favor.

C. #126 TOWN COUNSEL

First Selectman Lyden presented a flat budget for Department #126 – Town Counsel. While line item 5-126-202 – Labor Relations is currently over-budget, the item is expected to come back in line in the next fiscal year. Line item 5-126-208 – Town Issues is currently 66.8% spent due to a lawsuit brought upon by a decision made by the Board of Assessment Appeals.

M/S/C: Griggs/Houchin, to approve the appropriation of funds in the amount of \$20,100.00 for Department #126 – Town Counsel, subject to review and/or revision. Discussion: None. Voice vote, 6-0, all in favor.

D. #134 TOWN OFFICE BUILDING

Adjustments were made to various line items, resulting in a flat budget for Department #134 – Town Office Building.

M/S/C: Collins/Salas, to approve the appropriation of funds in the amount of \$98,000.00 for Department #134 – Town Office Building, subject to review and/or revision. Discussion: At the First Selectman's request, the Board agreed to eliminate Line Item 5-134-289 – Adv.-Legals, which includes the Legal

Notices, and moving those funds to Line Item 5-134-212 – Town/Commission Advertising. Voice vote, 6-0, all in favor.

E. #135 MUNICIPAL BUILDING MAINTENANCE

A flat budget is being requested for Department #135 – Municipal Building Maintenance. Upcoming projects include the painting of the Library and the back of the Center School and woodwork and painting of the Historical Society building.

M/S/C: Houchin/Collins, to approve the appropriation of funds in the amount of \$48,830.00 for Department #135 – Municipal Building Maintenance, subject to review and/or revision. Discussion: None. Voice vote, 6-0, all in favor.

F. #138 EMPLOYEE BENEFITS

Department #138 – Employee Benefits includes an increase of 13.84%, based on an estimate received by the Insurance Company. Various adjustments have been made over the years to help reduce costs, including the reduction of three (3) employees, changing from an HMA to an HMO Plan, and raising the deductibles. In response to Board Member Salas, First Selectman Lyden stated that the employee contributions were raised with the Union contracts.

M/S/C: Griggs/Collins, to approve the appropriation of funds in the amount of \$373,927.00 for Department #138 – Employee Benefits, subject to review and/or revision. Discussion: None. Voice vote, 6-0, all in favor.

G. #140 UTILITIES

Department #140 – Utilities reflects a decrease of \$8,507.00 from the FY2017/18 budget due to savings resulting from the installation of high-efficiency boilers in the Town Hall and Salem and Gardner Lake Volunteer Fire Companies, the repair/adjustment to the Library boilers, and the installation of LED lights in the Library. In response to Chairman Householder, East River Energy provides the oil and diesel fuel, which is pre-paid by the School and the final amounts are not known until the information is received from the School.

M/S/C: Collins/Houchin, to approve the appropriation of funds in the amount of \$149,399.00 for Department #140 – Utilities, subject to review and/or revision. Discussion: None. Voice vote, 6-0, all in favor.

H. #152 TOWN SERVICES

Department #152 – Town Services includes increases in Line Item 5-152-812 – Senior Services, due to an expansion of activities and services being offered to the Town's seniors; 5-152-814 – Health Services; 5-152-817 – ACO (Animal Control Officer) Agreement, which is a five-year regional agreement with the Town of Montville, and; 5-152-526 – Planning Services, due to an increase in the number of Public Hearings being held by the Planning & Zoning Commission.

The following changes will be made to the Department's budget:

Line Item 5-152-814 – *Uncas* Health Services

Line Item 5-152-815 – Memorial Day *Parade*

Line Item 5-152-816 – ~~Farmer's Market~~ *Community Events & Outreach*

M/S/C: Houchin/Griggs, to approve the appropriation of funds in the amount of \$99,794.00 for Department #152 – Town Services, subject to review and/or revision. Discussion: None. Voice vote, 6-0, all in favor.

I. #157 REGIONAL SERVICES

A flat budget was presented for Department #157 – Regional Services.

M/S/C: Collins/Griggs, to approve the appropriation of funds in the amount of \$10,203.00 for Department #157 – Regional Services, subject to review and/or revision. Discussion: At the First Selectman's request, the Board agreed to the remove of Line Item 5-157-823 – East Lyme Youth Services. Voice vote, 6-0, all in favor.

J. #310 PUBLIC WORKS

Slight adjustments were made within the line items, resulting in a \$2,000.00 decrease. In response to Chairman Householder, Public Works Director Donald Bourdeau, Jr., stated that the funding for tree cutting/removal derives from either the Public Works Budget or the Capital Plan, depending upon the extent of the project.

M/S/C: Collins/Salas, to approve the appropriation of funds in the amount of \$256,500.00 for Department #310 – Public Works, subject to review and/or revision. Discussion: None. Voice vote, 6-0, all in favor.

K. #410 TRANSFER STATION

Department #410 – Transfer Station includes a reduction of \$1,369.00 due to significant investments that have been made over the years. A brief discussion ensued regarding the possible purchase of a third compacter, which is estimated to cost approximately \$50,000.00 to \$60,000.00, and would result in a savings of approximately \$6,000.00/year.

M/S/C: Houchin/Collins, to approve the appropriation of funds in the amount of \$161,101.00 for Department #410 – Transfer Station, subject to review and/or revision. Discussion: None. Voice vote, 6-0, all in favor.

L. #925 CAPITAL RESERVE – *not discussed*

M. #926 OPEN SPACE LAND – *not discussed*

3. DISCUSSION OF CONNECTICUT GENERAL STATUTE 10-248a

A copy of the e-mail from Auditor Marcia Marien, CPA, O'Connor Davies, LLP; a copy of the Connecticut General Statute Section 10-248A, and; a sample of an agreement between the town of Simsbury and their BOE were sent to the Board for review for discussion. Chairman Householder recited a portion of the e-mail from Auditor Marien, which states that approximately one-third of their clients for whom they conduct audits have established a non-lapsing account and the results have

been positive. She added that, due to the accounting rules under GASB (Governmental Accounting Standards Board) 54, the funds must be utilized for Capital Projects. By Town Charter, the BOE is required to present their Capital Plan to the Board and it was felt that, should the account be established, the BOE would be able to expend the funds without the Board's approval. Based on the information provided, Board Member Griggs felt that, if the funds must be utilized for Capital Projects, it does not meet their needs at this time and suggested an alternative possibility of establishing an Assigned Fund Balance, similar to that which was recently established by the Board. BOE Chairman Reith stated that their Attorney informed them that the funds may be used for any unexpected educational expenses and did not state that it must be used for Capital items. Board Member Houchin stated that the Town's Unassigned Fund Balance has been established, specifically, for the purpose of covering any unexpected expenses, whether for the General Government or the BOE, and the Board has the power to vote on the item or schedule a Town Meeting depending upon the amount of funds needed to cover the expense(s). He added that, should such a need arise, the Board would, undoubtedly, do their best to accommodate their need(s), as they have done in the past. Clerk Collins agreed and expressed his aversion to the idea of establishing a dedicated fund(s) for the BOE, adding that all of the departments should be treated equally and fairly and held equally accountable. In addition, it has been reported that the Board has not denied any of the BOE's request(s) for additional funds to cover any unexpected expenses for the past ten years and he is reminded of the BOE's decision to utilize a portion of their previous year's unexpended funds that were slated to be returned to the Town on a number of unbudgeted items. Board Member Griggs stated that, because their budget is population driven, the BOE's budget experiences more volatility in comparison with the other departments.

Discussion ensued regarding the interpretation of the Statute and whether the fund, as a whole, cannot exceed 1% of their budget or an annual contribution of up to 1% of their budget can be made to the account. Chairman Householder suggested splitting their investment 50/50, such that 50% of their unexpended funds would be deposited into the account, while the remaining 50% would be returned to the Town. Clerk Collins reiterated his opposition to the need to incentivize the BOE; all of the Town's departments, including the BOE, should not need an incentive to save funds, whether the funds must be spent on unexpected expenses or Capital items. While he commended them on providing a quality education, he expressed his reservations regarding whether it is being accomplished in a cost effective manner.

In response to BOE Chairman Reith who understands Clerk Collins' concerns, but questioned what possible detriment(s) could exist by the establishment of the account, Clerk Collins responded that, while it is not the Board's job to micromanage the BOE's budget, given their recent past history, he is opposed to establishing an account that the Board would not have any control over. In addition, because the Board has not opposed any request for additional funding to the BOE over the past ten years, he fails to see the need for the establishment of such an account and reiterated the lack of fairness. Board Member Salas stated that, in the private sector, budgets are based upon the prior years' budgets such that the following year's budget should reflect a reduction in funds, based on the

previous year's surplus. Otherwise, the taxpayers would be paying more taxes to save more money, which does not make fiscal sense. In response to Board Member Houchin, BOE Chairman Reith stated that their goal is not to establish an account that they would have exclusive rights or control over, but one in which the Boards of Education and Finance could engage in a partnership and drive positive behaviors. He noted that only 5% of their total budget is considered discretionary. He felt that it would be prudent for the BOE to have an established account to relieve the pressure of any significant unexpected expenses. Clerk Collins reiterated his concerns from their previous meeting regarding the BOE's proposed budget, which is a current services, rather than zero-based, budget.

While he does see the benefit of establishing a "rainy day" fund for the BOE that both the BOE and Board would have control over, Alternate Board Member Dickson also agreed that such mechanisms are already in place to deal with any unexpected expenses that might arise, thereby deeming the fund unnecessary. Board Members Salas and Cadwell expressed his opposition to the establishment of the fund. Clerk Collins agreed that there are mechanisms in place, and, historically speaking, requests for additional funding that have been made by the BOE have never been denied by the Board. Though opposed to establishing an account for the use of Capital items, Board Member Griggs would be in favor of establishing a mechanism to level out their budget. Because there is an existing mechanism in place, which is, for all intensive purposes, a joint effort, Board Member Houchin stated his opposition to the establishment of such an account and expressed his concern regarding their ability to set aside additional funds, which would allow them to add to their existing budget, and what effect(s), if any, that would have on the MBR (Minimum Budget Requirement). In reviewing their proposed budget, he noted that half of their excess funds is being utilized as hard (recurring), rather than soft (non-recurring), money and will, most likely, need to be compensated in the following year's budget. BOE Chairman Reith stated that the budget also reflects increases in discretionary, non-recurring items and the BOE believes that there is some flexibility in their budget such that those recurring items would be adequately funded.

Based on Boards comments regarding the establishment of the account, Chairman Householder stated that their discussion would not continue. In closing, Board Member Salas stated that budgeting and/or restricting funds is the key to changing behaviors, not providing more funds.

OLD BUSINESS: *none*

ADJOURNMENT

M/S/C: Salas/Houchin, to adjourn the meeting at 8:37 p.m. Discussion: None. Voice vote, 6-0, all in favor.

Respectfully Submitted by:

Agnes Miyuki, Recording Secretary for the Town of Salem