

**TOWN OF SALEM  
BOARD OF FINANCE  
REGULAR MEETING MINUTES  
THURSDAY, JANUARY 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  
Corinne (Cory) Bourgeois, Alternate  
Maryann Casciano, Alternate

**ABSENT**

Michael Jensen, Alternate

**ALSO PRESENT**

First Selectman Kevin Lyden

**CALL TO ORDER:**

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

**RECOGNITION OF VISITORS:** *none*

**SEAT ALTERNATE IF NEEDED:** *none*

**COMMUNICATION:** *none*

**ADDITIONS TO THE AGENDA:** *none*

**AGENDA:**

**1. AUDITOR PRESENTATION**

First Selectman Lyden introduced Joseph Centofanti and Katherine Patnaude from PFK O’Connor Davies, LLP, who provided a presentation regarding the audit for the fiscal year ending June 30, 2018. He also introduced Finance Department staff Eric Christiansen, CPA; Lisa Jablonski, Finance Specialist and Human Resources, and; Pam Henry, Treasurer, who were in attendance.

Draft Short-Term Balance Sheet, which includes the town’s receivables, were briefly reviewed. While there have been no significant changes since the previous year, there has been an overall decrease on the levy to the town’s tax receivables from 3% to 2% since 2012. The Assigned Fund Balance in the General Fund was increased from 18.8% to 20% due to their recent allocation of funds for Capital projects and is considered within the average of similar towns in the region. Under the Capital Non-Recurring Fund, the Committed Funds have changed due to the expenditure of funds transferred from the General Fund for various capital projects. The town maintains a very healthy Unassigned Fund Balance of 20%.

Draft General Fund Budget reflects that nearly \$400,000.00 was added back to the Fund Balance due to a higher than expected collection of taxes and education grants received as well as the need not to fund the teachers' retirement fund and lower than expected expenditures.

The town's Tax Collection Rates Over Time have remained relatively steady, having collected 98.4%. Salem is just below the State average of 98.6% and above the 98.1% collection rate of neighboring towns.

Long-Term Debt Summary – One major change in the town's Long-Term Debt is in the OPEB (Other Post-Employment Benefits) Liability, which, due to GASB (Governmental Accounting Standards Board) Statement 75, was changed from an OPEB Obligation to an OPEB Liability and resulted in a decreased liability of approximately \$960,000.00.

General Fund Revenue vs. Bond-Type Debt Over Time, which jumped up in FY2013/14 due to the school construction, has been steadily decreasing. Currently, the town's bonds accounts for 23% of its revenue. While the amount varies by town, their respective projects, and status in terms of the funding process, the average of similar neighboring towns is 12%.

Teachers' Retirement Plan – The State currently holds a net pension liability of \$9.9 billion on behalf of the town and has paid in \$1.1 million on behalf of the town.

The Teachers' Retirement OPEB Liability is a new reporting requirement for which the State currently holds a net OPEB liability of approximately \$2.5 million and has paid \$118,000.00 on behalf of the town. The town's proportionate share of the net liability is 0.

Draft Long-Term Balance Sheet indicates significant changes in the town's Capital Assets due to additions for, primarily, road work and a fire tanker truck.

Draft Long-Term Income Statement reflects an overall health increase of \$162,000.00 from the previous year.

The History of the Town's Net Position reflects that the Town's equity is rising at a steady rate.

Prior Period Adjustments were due to new net accounting pronouncements, including GASB Statement 75, in which the net OPEB Obligation of \$1.3 million was removed and an OPEB Liability of \$354,000.00 was added, increasing the town's net position; and GASB Statement 84 Student Activities Fund, which changed the definition and reclassified funds amounting to \$21,000.00, which were added into the town's Custodial Funds.

State Single Audit – The Town Aid Road (TAR) Grants Transportation Fund of \$193,587.00 was tested and given an unmodified or clean opinion; no material weaknesses or significant deficiencies were identified, and; no audit findings that they are required to report were found.

The Auditors' responsibility under the GAAS (Generally Accepted Auditing Standards) were reviewed and no material weaknesses or significant deficiencies were identified and no audit findings that they are required to report were found during the audit. The town will receive a formal letter, along with copies of the final audit, regarding their communications of Other Matters, including their internal accounting controls, any difficulties encountered in the audit, any significant accounting policies, and audit adjustments.

Future changes that may affect the town include Certain Asset Retirement Obligations (GASB Statement 83); Fiduciary Activities (GASB Statement 84), which has already been implemented; Leases (GASB Statement 87), Certain Disclosures Related to Debt (GASB Statement 88), which will be in effect next year; Accounting for Interest Cost Incurred Before the end of Construction Period (GASB Statement 89), and; Majority Equity Interests (GASB Statement 90). The two changes which will have a major impact on the town is GASB 87 and 88.

First Selectman Lyden thanked the Auditors for not only their willingness to provide the audit presentations to the town, in general, but also for providing a very thorough presentation this evening. He stated that the town has been maintaining a very healthy Unassigned Fund Balance due the pending possibility of receiving an even greater decrease in funding from the State. He commended the Board on a doing a fine job with leveling out the town's Capital Plan and ensuring that the community is spreading out the payments for their Capital purchases and maintaining a level mil rate. Chairman Dickson added that a more systematic approach is being taken in which the Board reviews the life span of the asset(s), spreading out the payments accordingly and avoiding any battles between departments for Capital purchases. In response to the First Selectman's question regarding the target debt ratio amount, Auditor Centofano stated that, while there are many variables, the average target ratio is 8 to 12% for such small towns as Salem.

The Auditors were thanked for their presentation.

**2. APPROVAL OF MINUTES: DECEMBER 13, 2018 BOF REGULAR MEETING**

**M/S/C: Griggs/Salas, to approve the Regular Meeting Minutes of December 13, 2018, with the following amendment:**

**Page 2, Item 3, Final indented paragraph, regarding Line Item 5-310-023**

Public Works Director Donald Bourdeau, Jr., stated that due to an unexpected expense for motors, the line item is 154.5% ~~over~~ of budget.

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

**3. TREASURER'S REPORTS**

**A. REVENUE SUMMARY**

**B. TRIAL BALANCE**

**C. FUND BALANCE**

**D. OTHER**

The *Balance Sheet* and *Budget vs. Actual* Reports were reviewed, with no unusual occurrences. In response to Board Member Houchin, First Selectman Lyden stated that both the Gardner Lake and Salem Volunteer Fire Companies are mindful of their budgets and have not expressed any concerns regarding their budget. As such, he does not anticipate any issues at this time.

**4. SELECTMAN'S REPORT**

First Selectman Lyden reported that Judy Rabe, who, along with her husband, Norm, was a very active member of the community, has passed away; calling hours will take place tomorrow, January 11. A flower arrangement has been sent to the family on behalf of the town and the

Gardner Lake Volunteer Fire Company (GLVFCO) has kindly offered the use of their hall. Raymond Snarski, another well-loved member of the town, also recently passed away.

Town Hall staffing changes include new Zoning and Wetlands Enforcement Officer (ZWEO) Matt Allen. ZWEO Allen, a well-qualified individual with municipal experience, will be working on Mondays and Thursdays from 3:00 to 7:00 p.m. and has been introduced to both Planning & Zoning Commission Chairman Joseph Duncan and Inland Wetlands & Conservation Commission Chairman Ed Natoli. Town Planner Justin LaFontaine will now be working on Thursdays from 12:00 to 3:30 p.m., slightly overlapping with the ZWEO Allen's hours.

In addition to working in the Finance Office, Meliza Jimenez is now working part-time in the Assessor's office with recently-certified Assessor Michael Kapinos, who is now working full-time. Assessor Barbara Perry, who has rebuilt the Assessor's office during her tenure with Salem, has reduced her hours as she prepares herself and the town for her scheduled retirement at the end of April 2019.

He shared the *Lamont-Bysiewicz Transition Shared Services Policy Committee Recommendations*, which encourages the regionalization of services in an effort to reduce CT's over-reliance on property tax. Two recommendations of note include the bifurcation of the Municipal and School Board property tax levy, which would increase the pressure on the Board of Education to become more efficient and transparent and shifting the burden of proof for Special Education from the school district to the complaining party.

He also shared an informative handout and supporting material stating some of the town's past agreements and practices between the town and its various entities, including the Historical Society Building; Cemetery Association; Municipal Probate Court; Animal Control Officer; Town Planner; Salem & Gardner Lake Volunteer Fire Companies; Municipal Parking Lot, and; Bingham Field. He hopes to continue sharing such information. Board Member Griggs suggested the possibility of posting the handout on the town website.

**5. PUBLIC COMMENTS – none**

**6. CAPITAL EXPENDITURE REVIEW AND ACTION ITEMS**

Clerk Collins expressed his disappointment with the Board of Education for the late receipt of the requested information precluding them from discussing the Capital Plan this evening.

The Board reviewed summary proposal forms created for each of the departments by Finance Specialist Jablonski on which the Board can document their decisions. Each of the forms are organized by new, repeat or previously cut, and currently included items in the Capital Plan. Highlighted are those items which require action by the Board. New items are not listed on the Capital Plan as they have not yet been approved by the Board.

Extensive discussion ensued regarding the target number for each of the respective years on the Capital Plan – an especially important determination at this time given the State's fiscal uncertainty and level of debt and its effect on the town. Board Member Salas added that the Board should also determine the percentage of Capital Funds to revenue, which is currently 10%

(\$1.5 million). Clerk Collins suggested the Board vote on the simpler items this evening, e.g., the asphalt roofing for the GLVFCO and Town Hall and the Assessor's software, saving those items that would require further discussion for their next meeting. Chairman Dickson will be creating a worksheet which the Board can project and work on together to determine which items to approve, keeping in mind their agreed upon target number. First Selectman Lyden warned the Board of the possible disruptions from the public should they choose to review and edit the Capital plan in public. Board Member Houchin agreed and felt it should be made clear to the public that each of the departments' requests have been submitted, presented, and discussed and the purpose of the meeting is to finalize their presentation based upon the information provided and no discussion is to take place. First Selectman agreed and added that the Members should also address their Chairperson prior to addressing a member of the public.

Discussion ensued regarding the GLVFCO proposal for the strip and re-roofing of the Fire Company. GLVFCO Chief James Savalle will provide a copy of the written agreement between the town and the GLVFCO stating that, should the Fire Company default, the property would be transferred to the town. A RFQ (Request for Quote) for the de- and re-installation of the solar panels and the roofing project for both the Town Hall and GLVFCO may be requested in an attempt to obtain better pricing.

First Selectman Lyden reminded the Board of the following previously approved items which are currently on and must remain on the Capital Plan:

Item 1	BOE Replace 1994 Roof Top/AC Units	\$ 152,000.00
Item 10	Public Works Large Snow Plow Truck	\$ 62,000.00
Item 25	GLVFCO/SVFCO Exhaust System (final payment)	\$ 48,964.00
Item 34	SVFCO Engine Tanker	\$ 120,000.00

In addition, the town is required to fund \$190,000.00, which is the Town Aid Road Grant amount received by the State (line item 23 – Public Works Road Improvement). The items listed under the town's 10-Year Principal and Interest indicated above the 10 Year Capital Plan (East Lyme High School Debt Services and School Building Renovation) must also remain.

In response to Board Member Cadwell regarding the Fire Fighting Turnout Gear and Hose, Salem Volunteer Fire Company (SVFCO) Chief Maiorano stated that the lifespan of the Gear is ten years. While they do retain some of the older gear for use by the junior fire fighters or newer members who will not be close to any fires, the Fire Company does replace their gear and hose annually. He also noted that, though the equipment is purchased brand new, the date of the gear is based on the date indicated on the equipment and not the date the item was first put into service. Furthermore, due to new safety standards, the price of the gear, which currently costs approximately \$5,000.00 per person, is slated to increase.

Board Member Houchin questioned the possibility of obtaining all of the Capital expenditures over the last three years and suggested placing all of the requested, past and present, items on a spreadsheet. Board Member Salas suggested expanding upon the spreadsheet to include A (yes), B (maybe), or C (no) categories for all of the requested items. The spreadsheet will be distributed to the Board prior to the meeting enabling the members to review the information.

In response to SVFCO Chief Maiorano who questioned the expense of the de-installation of the solar panels, First Selectman Lyden stated that the town currently owns the solar panels located on the Town Hall, Library, Salt Shed, and GLVFCO buildings and have cost the town \$0 for 60 months. There is no lease and/or contingency fee to remove the panels. At the end of the 60 months, the town was charged a \$5.00 fee. The solar panels have a life expectancy of 25 years. He estimates that the panels have cut their electric bills by \$2,000.00 per building.

Clerk Collins reiterated his disappointment with the Board of Education for their tardiness and requested that any new, supporting information be submitted to the Board well before their next meeting for review. BOE Chairman Sean Reith apologized for his absence at the Board's December meeting and requested that, in the future, they agree to a mutual date by which any requested information is submitted.

GLVFCO Chief Savalle stated that himself and the then-SVFCO Chief Rick Martin invested much thought, time, and effort in their Capital Plan requests and spoke in defense of the roof replacement for the Fire Company. The Board expressed their appreciation and stated that they are not questioning the amount of time and effort each department invested in formulating their requests, but encouraged them, should they have any questions, to approach the members with any questions they might have.

At Board Member Griggs' suggestion, the new Board Members were asked to contact Board Member Cadwell who will loan her copy of the previous years' Capital Plan requests such that additional copies may be made for their review.

To recap, Chairman Dickson will create a spreadsheet of all of the requested items, past and present, on a spreadsheet with A (yes), B (maybe), or C (no) categories. The spreadsheet will be distributed to the members next week and will be discussed at their next meeting.

**OLD BUSINESS:** *none*

#### **ADJOURNMENT**

**M/S/C: Collins/Houchin, to adjourn the meeting at 9:04 p.m. Discussion: None. Voice vote, 6-0, all in favor.**

Respectfully Submitted by:

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