

**TOWN OF SALEM
BOARD OF FINANCE
REGULAR MEETING MINUTES
THURSDAY, SEPTEMBER 14, 2017 – 7:00 P.M.
SALEM TOWN OFFICE BUILDING**

PRESENT

TJ Butcher, Chairman
George Householder, Clerk
Deborah Cadwell
Marshall Collins
Janet Griggs (7:03 p.m.)
Hernan Salas
Will Evanson, Alternate
John Houchin, Alternate

ABSENT

none

GUESTS

none

ALSO PRESENT

First Selectman Kevin Lyden

CALL TO ORDER:

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

RECOGNITION OF VISITORS: *none*

SEAT ALTERNATE IF NEEDED: *none*

COMMUNICATIONS:

1. Letter from O'Connor Davies regarding the June 30, 2017 audit fieldwork

ADDITIONS TO THE AGENDA: *none*

The Board will begin their Capital Plan Discussion next month.

AGENDA:

1. APPROVAL OF MINUTES: AUGUST 10, 2017 BOF Meeting

M/S/C: Householder/Salas, to approve the Board of Finance Regular Meeting Minutes of August 10, 2017. Discussion: None. Voice vote, 4-0-1. Voting in Favor: Board Members Cadwell, Collins, Householder, and Salas. Voting in Abstention: Board Member Butcher.

2. TREASURER'S REPORTS

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

In response to a question that was raised during last month's review of the *Balance Sheet*, Treasurer Pam Henry stated that line item 4-097-070 – Miscellaneous, Insurance Claims/Refunds

for \$8,133.00 is a periodic equity distribution. In response to another question that was raised regarding the reasoning behind some of the negative numbers, she explained that, though no specifics were noted in the meeting minutes, the negative numbers indicated in, for example, line item 260000 – SBEA Loans is due to credits that are applied to their bill for the electronic conservation monthly payments; at the end of the year, the CPA will make an entry balancing the amount. In response to Board Member Houchin, who questioned line item 1401001 – Due from Special Education Grant Funding for \$529,239.35, she stated that the line item includes both payables and receivables that are received from the school. Treasurer Henry will provide the Board with specific information, providing them with a better understanding of the line item.

Items of note in the *Budget vs. Actual* report included the growth in revenue received for Building Permits and revenue received from the recent sale of the condominium (line item 4-097-076 – Miscellaneous). In response to Board Member Householder regarding line item 4-096 – Revenue use of Town Money, which was budgeted for \$7,700.00 and for which \$7,800.48 has been received to date, Treasurer Henry stated that the funds are kept in various accounts as long as possible before being transferred into the General Fund in order to take advantage of the interest. A list of these accounts will be supplied to the Board in the near future. In addition, the line item will be budgeted at a higher amount in the future. Treasurer Henry will investigate line item 5-114-204 – Treasurer, Contract Auditors, which reflects a negative number. She confirmed that \$2,831.00 was received from the State for Adult Education (line item 4-093-036 – Grants for Education, Adult Education). Funds received for line item 5-134-299 – Town Office Operation, Computer Expense (\$23,122.44) includes the payments for Vision, the Assessor, and Tax Collector, which were made in July for the fiscal year.

3. PUBLIC COMMENTS – none

Speaking as a member of the public, Board of Education (BOE) Chairman Mike Siebert expressed his dismay with the Board's recent article in *Our Town Salem*. The numbers stated in the article, which was authored by Clerk Householder, were discussed and reviewed with the First Selectman and Board Member Collins and the article was reviewed and extensively discussed by the Board. Due to time restraints, the Board did not review the final article. The budget indicated for each strategic business unit, e.g., Education, Town Government, Capital Purchases, etc., includes the salaries, utilities, etc. — all of the elements that it takes to run that particular unit. For example, the budget for the Library is \$34,350.00, but when factoring in the salaries, insurance, utilities, etc., it costs approximately \$181,750.00 to run the Library. Board Member Collins noted that the numbers are approximate due to their fluidity. Mr. Siebert felt that the manner in which the article is written was biased, contrary to its final statement in the article, which states that the Board's "intention is to continue to put articles in this newspaper and discuss financial matters in an educational way without any bias." He felt that, while the other departments are broken down into components, the BOE, which includes the District, the High School, and Salem School, was not similarly treated, resulting in the Education budget appearing very large in comparison. In addition, the article references the Governor's proposed *February* budget and does not include any of the other budgets that are being

considered and reviewed. While he agrees with the purpose of the article, he is, as a BOE member, admittedly biased and feels that the article was written with a slant to drive public opinion in one direction and with the intent of targeting the BOE. Chairman Butcher stated that all of the proposed budgets that have been released by the State indicate that cuts are imminent. As such, it is important that the Town be proactive and review all of their options, as listed in the article. The purpose of the article was to inform the public and maintain transparency, not to single out a particular department. He also recognized that the Board could have broken up the Education budget by the District, Salem School, and East Lyme High School. While Mr. Siebert felt that it would have sufficed to state the three approved budgets of the General Government, BOE, and Capital Plan, the Board stated that the numbers would have remained, relatively, the same regardless.

BOE Liaison Sean Reith stated that the size of the BOE budget being larger than the overall budget for the Town Government is not surprising, but was curious to know whether it is disproportionate relative to other towns. And, while it appears the Board carefully considered the article's verbiage, two of the five bullet points make reference to the BOE or Education. Clerk Householder stated that Education is typically between 65 to 75% of a town's budget. First Selectman Lyden stated that the numbers have not changed and Chairman Butcher agreed, adding that the percentage for Education (73.44%) has been used countless times during their budget meetings and public hearings. In addition, Board Member Griggs noted that, due to the MBR (Minimum Budget Requirement) calculations, it was decided to exclude the bonds from the Education budget. Clerk Householder stated that, unlike the General Government, the Board cannot cut or restrict the BOE's spending once their budget is approved. Chairman Butcher stated that the BOE is the single biggest expenditure in the Town and the majority of cuts being proposed by the State are cuts to their Education Funding, i.e., Educational Cost Sharing (ECS) Funding. Nevertheless, Mr. Siebert felt that the numbers for Education are misleading because it is not the approved budget amount for the BOE. First Selectman Lyden stated that the budget, in its entirety will be reviewed and efficiencies will be investigated across all of the Town's departments. The purpose of the article, it was reiterated, is to educate the public, remain transparent, and provide the townspeople with time to plan for their personal financial future. Mr. Siebert stated that he is happy to work with the Board once the State has finalized the budget. Chairman Butcher thanked Mr. Siebert and BOE Liaison Reith for attending the meeting and voicing their concerns.

4. SELECTMAN'S REPORT

First Selectman Lyden reported that the Board of Selectmen authorized the sale of Town-owned personal property via Municibid, an online auction website that is offered at no charge to the seller. Items that have been approved for auction include an Over the Rail Mower, Utility Truck, Old Cement Mixer and a Ford Tractor.

The Board of Selectmen will be sending a letter to DEEP (Department of Energy & Environmental Protection) Commissioner Rob Klee requesting that the temporary alcohol ban at Gardner Lake State Park/Beach become permanent. The ban has received the support of State Representatives

Kevin Ryan and Holly Cheeseman, Senators Paul Formica and Cathy Osten, and Montville Mayor Ron McDaniel. DEEP is well aware of and understands the issues at the State Park/Beach and the Resident State Troopers have been working with the EnCon Officer(s), patrolling and issuing warnings and citations, as necessary.

The Auditors from O'Connor Davies have been conducting their audit of the Town. He commended the Town's CPA Liaison Erik Christensen as well as Finance Specialist Lisa Jablonski and Treasurer Henry – all of whom work very well together – on a great job.

5. DISCUSSION OF CT LEGISLATURE PROGRESS

Board Member Collins provided a brief review of the status of the State budget discussions, which are still continuing. Under the recently released Governor's Compromise Plan, the Town of Salem is slated to receive \$3.4 million in 2017, \$2.7 million in 2018, and \$2.1 million in 2019 in State Municipal Aid. The status of the State's funding for ECS, the teachers' pension fund, LoCIP (Local Capital Improvement Program), and PILOT (Payment in Lieu of Taxes) continues to be unknown, but significant cuts are expected. Items that are expected to be included in the bill are increased fees for background checks, reduction or elimination of property tax credits, a new State property tax on seasonal and recreational homes, and the elimination of the sales tax transfer to MRSA (Municipal Revenue Sharing Program).

The possibility of scheduling a Special Meeting to discuss the impact of the budget on the Town once the State's budget is finalized was discussed. Also discussed was the utilization of their Unassigned Fund Balance to help balance the budget for the fiscal year. Approximately \$180,000.00 is in Undesignated Funds, \$200,00.00 is being returned by the General Government, \$70,000.00 is being returned by the BOE, and approximately \$180,000.00 will be raised through the mil rate increase. The Town will need to absorb the remaining amount, which will, most likely, be derive from their Unassigned Fund Balance, and the Departments will be required to cut their respective budgets.

OLD BUSINESS: *none*

ADJOURNMENT:

M/C: Griggs, to adjourn the meeting at 8:10 p.m. Discussion: None. Voice vote, 6-0, all in favor.

Respectfully Submitted by:

Agnes Miyuki, Recording Secretary for the Town of Salem