

**TOWN OF SALEM
BOARD OF FINANCE
REGULAR MEETING MINUTES
THURSDAY, OCTOBER 12, 2017 – 7:00 P.M.
SALEM TOWN OFFICE BUILDING**

PRESENT

TJ Butcher, Chairman
George Householder, Clerk
Deborah Cadwell
Marshall Collins
Janet Griggs
Hernan Salas
John Houchin, Alternate

ABSENT

Will Evanson, Alternate

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: *none*

ADDITIONS TO THE AGENDA: *none*

AGENDA:

1. APPROVAL OF MINUTES: September 14, 2017 BOF Meeting

M/S/C: Griggs/Collins, to approve the Board of Finance Regular Meeting Minutes of September 14, 2017. Discussion: None. Voice vote, 6-0, all in favor.

2. TREASURER'S REPORTS

A. REVENUE SUMMARY

B. TRIAL BALANCE

C. FUND BALANCE

D. OTHER

Treasurer Pam Henry stated that the Town's assets are in line with their liabilities and equities. In response to Board Member Houchin, she confirmed that line item 1401001 – Due from Special Education Grant Funding of the *Balance Sheet* reflects funding that has been received from the State for various purposes. On the *Budget vs. Actual* Report, she reported that, due to a software upgrade, the Report includes errors, such as that included in line item 4-096 – Revenue use of Town Money, which indicates that -\$11,718.34 has been received to date; they are in the process of

determining/remedying the issue. Line item 4-097-076 – Miscellaneous includes the approximately \$4,000.00 that was generated from the sale of Town equipment through Municibid as well as revenue received from a prior year grant reimbursement and donations received in memory of an individual(s) and the School Math Program. The Auditors are scheduled to present their report to the Board at their next Regular Meeting on November 9, 2017.

3. PUBLIC COMMENTS

Peter Sielman, 369 West Road, provided a brief background of his and Frank Sroka's experience as past members of the Board of Selectmen and Mr. Sroka as a former Board of Education (BOE) Chairman during the period in which negotiations with East Lyme High School were taking place. He stated their concerns regarding the State's fiscal crisis; its resulting effects on the Town, which may be significant, and; the importance of informing and educating the Townspeople regarding the facts, issues, and possible solutions. To this end, they are proposing that the Town host an Informational Town Meeting prior to the budget season. They have met with First Selectman Lyden, who suggested that, because their request deals with the budget, they present their proposal to the Board of Finance for review, consideration, and recommendation to the Board of Selectmen to hold a Town Meeting to discuss the budget. An outline of their proposed discussion was presented to the Board.

Frank Sroka, 232 West Road, reiterated their concerns and offered possible options, including continuing to cut costs in the General Government budget; combining duplicate functions, e.g., joining the School and Town's financial offices as they have done in New London, and; investigating what other towns are/have been doing to help alleviate their budgetary issues. Of the three major components of the budget – General Government, School, and Capital – the General Government and School budgets are the most significant and should be considered and reviewed for possible sharing of services, efficiencies, and, if necessary, eliminations. He referred to the 2015 Blum-Shapiro School Efficiency Study, which also offered some recommendations, including sharing the Superintendent position with East Lyme. Other possible options may include combining administrative staffing functions within both the Town Government and School; reviewing school staffing and class sizes, including the possibility of combining grade levels based on various factors, a practice in which both Norwich and Colchester are currently engaging, and; offering unused portions of the School, which was built to accommodate up to 700 students and currently serves approximate 425 students, to other towns to generate additional revenue. They are proposing that the Boards of Finance and Education generate and present their proposed cuts at the Town Meeting.

Chairman Butcher thanked them for their presentation and informed and invited them to stay for the duration of the meeting, as they will be discussing the budget this evening. A brief discussion regarding the timing of the meeting ensued. In response to Board Member Collins, Mr. Sielman felt that the Town Meeting should be scheduled well before the formal budget season, possibly during late November/early December. He emphasized the importance of taking the time to vet and ensure that the information being provided to the public is factual as well as publicizing the event via *The Day* newspaper and other media.

Salem Volunteer Fire Company Chief Gene Maiorano updated the Board regarding their maintenance budget, which has quickly dwindled down to \$853.59 due to unexpected and costly repairs to the Fire Company's 1991 Pumper Truck and one of their Tanker Trucks. They have postponed the planned purchase of any additional equipment due to these unexpected expenses.

Tiffany Cunningham, 89 Rattlesnake Ledge Road, expressed her concerns regarding the State's budgetary issues and its effect on the Town and BOE. She stated the importance of the BOE to be aware of the numbers to determine how they can best proceed and requested that the Board of Finance provide them with their best guess estimate(s).

4. SELECTMAN'S REPORT

First Selectman Lyden confirmed his meeting with both Mr. Sielman and Mr. Sroka regarding their proposal and suggested holding a State of the Town Meeting, which traditionally occurs in either January or February. He also encouraged the Board to continue communicating and educating the residents via *Our Town Salem*. Chairman Butcher clarified that the Board can make a recommendation to the Board of Selectmen to hold a Town Meeting and the Board of Selectmen would, then, review, consider, and make the final decision.

The Audit went smoothly with the help of the CPA Liaison Erik Christenson and, as previously stated, the Auditors will be making their presentation to the Board on November 9. He commended Finance Specialist Lisa Jablonski, Treasurer Pam Henry, and BOE Business Manager Kim Gadaree as well as CPA Liaison Christenson on a job well done.

The Annual Second Grade Town Meeting was held at Town Hall yesterday. The students took their Oath of Good Citizenship and received a Good Citizenship Award Certificate and a pen.

The Department of Transportation (DOT) will be holding a Public Information Meeting to discuss a proposed box culvert project over Little Brook on Route 85 on Wednesday, November 8, 6:00 p.m. (rain date November 15), in the Library. The DOT is proposing completely blocking the road for 14 consecutive days and construction is slated to begin in Summer 2020. The Federal and State Governments will be funding the project. He expressed his concerns regarding the resulting detour of at least five miles due to the road closure and encouraged the public as well as emergency services to attend the meeting to listen to their presentation and express any concerns they might have. The meeting will be publicized on the website and *The Day* Newspaper.

The Route 85 Project, including the Skyline curve, which was scheduled for completion by July 4, 2017, is slated for completion at the end of November.

5. CAPITAL PLAN DISCUSSION

Board Member Houchin recited a notice that was sent by Finance Specialist Jablonski proposing the following schedule for the Board's Capital Plan Discussion:

November 9: Library, Public Works, Transfer Station, Public Safety, Recreation, First Selectman, Security, Treasurer, Town Clerk, Tax Assessor, Tax Collector, Registrar, Building

November 14: Gardner Lake and Salem Volunteer Fire Companies, Ambulance, Board of Education

6. BUDGET DISCUSSION FOR CURRENT YEAR 2017-18

The current budget of \$15,069,851.00 for Fiscal-Year 2017-18, which was passed in April/May 2017, was based upon the Governor's February proposed budget with a cut of \$703,557.00 to the Town of Salem. In anticipation of the proposed cut, the Board cut the budget by \$194,281.00, raised the mil rate by 0.5 mil or \$180,000.00, and allocated \$320,000.00 from the Town's Unassigned Fund Balance. Following the expenditures of \$29,000.00 for the Library Internet, Resident State Trooper Program, and tires for the Salem Volunteer Fire Company Fire Truck; the allocation of \$320,000.00 from the Unassigned Fund Balance (Rainy Day Fund), and; the funds that were returned by the General Government and BOE to the Town since the last audit, the Unassigned Fund Balance is now approximately \$2,125,000.00 or 14.05% of the Town's total budget.

Under the State's current budget proposal, the Town is slated to receive no funding for LoCIP (Local Capital Improvement Projects), TAR (Town Aid Road), Mohegan-Pequot Funding, PILOT (Payment in Lieu of Taxes), Grants for Municipal Projects, and MRSA (Municipal Revenue Sharing Account). While funding for both LoCIP and TAR are bondable items, no Bonding Plan has been passed to date. The Town also receives funding for Educational Cost Sharing (ECS), which accounts for approximately 80% of the Town's funding received by the State; Adult Education, and; Teachers Retirement Contribution. ECS Funding is received in three payments (25% in November, 25% in January, and 50% in April) and, while the Town anticipated receiving approximately \$450,000.00 for the month of November, a check for only \$229,000.00 was received. With this in mind, Clerk Householder created the following tier levels for which he is proposing that the Town Government and BOE prepare a budget to be presented at their next meeting on November 9. He is proposing that half of the funding for each of the tier levels would derive from the Unassigned Fund Balance and, to reduce any possible conflicts, the principal and interest of approximately \$518,000.00 for the School has been excluded.

	Additional State Cut	Total Cut	BOE Cut (72.49%)	Town/Capital Cut (27.51%)	Unassigned Fund Balance
Tier I	\$ 400,000.00	\$ 1,100,000.00	\$ 145,000.00	\$ 55,000.00	\$200,000.00 – 12.8%
Tier II	\$ 800,000.00	\$ 1,500,000.00	\$ 290,000.00	\$ 110,000.00	\$400,000.00 – 11.5%
Tier III	\$ 1,200,000.00	\$ 2,300,000.00	\$ 435,000.00	\$ 165,000.00	\$600,000.00 – 10.2%
Tier IV	\$ 1,600,000.00	\$ 2,700,000.00	\$ 580,000.00	\$ 220,000.00	\$800,000.00 – 08.9%

Chairman Butcher stated that he is comfortable supporting Tiers I & II, which would provide them with a cushion in preparation for the near future, i.e., Tier III. He is not comfortable with Tier IV, which allows the Unassigned Fund Balance to fall below 9%. He suggested that the Town

Government and BOE return to them with a, relatively, detailed budget for Tiers I to III and adjusting the Unassigned Fund Balance amount to \$400,000.00 for Tier III. Clerk Householder also proposed directing the First Selectman to freeze the Capital Plan Budget. Board Member Collins proposed forming a working group comprised of two members each from the Boards of Selectmen, Education, and Finance and creating their proposed budgets based on the three tiers. He also felt that the Unassigned Fund Balance should go no lower than 10%, as recommended by Moody's.

In addition, Chairman Butcher reported that the Town of East Lyme is projected to receive no ECS funding, which will, most likely, affect the Town's budget. Board Member Houchin recommended that both the current and next fiscal year's budget be reviewed and prepared for each of the tier levels. Board Member Griggs reminded the Board that they have, in the past, requested that each of the Departments watch and, if possible, postpone any major expenditures in an effort to build the Town's Unassigned Fund Balance and prepare for this fiscal crisis. In return, the Board would do their best to support any necessary unexpected repairs. Clerk Householder reminded the Board that it has taken eight years to rebuild their Unassigned Fund Balance, primarily from the funds returned to the Town by the General Government and BOE at the end of each fiscal year. Board Member Salas felt that the Town should prepare for the worst, i.e., Tier II, for the current fiscal year and hope for the best and Chairman Butcher felt that Tier I would be their working budget for the current fiscal year, but that they should prepare for Tier II for the following year. Board Member Collins agreed that the Town will, at the very least, receive the cuts as indicated in Tier I and added that, in such case, the State may offer the municipalities with some tools for relief. First Selectman Lyden stated that a Tier III cut for the current fiscal year would, most likely, result in a Supplemental Tax Bill due to existing contracts. He also reminded them that the cuts for the current year would need to be doubled as we are nearly half way into the fiscal year. Board Member Collins also reported that while the Republican/Bi-Partisan proposed budget plan that was recently vetoed by the Governor included no cuts to the Towns, it did include cuts that would be made over time.

BOE Chairman Mike Siebert informed the Board that, due to time restraints and feeling that it would be a futile effort at this time, he would not be creating a Tier III budget. Chairman Butcher expressed his understanding, but recommended that he, nevertheless, at least, begin working on a Tier III budget as there is no doubt that such cuts may be coming in the near future. In response to BOE Chairman Siebert, Clerk Householder stated that a Town Meeting is not required for any additional cuts to the budget and noted that any cuts being made to the budget will be felt by all of the facets of the Town. Board Member Griggs stated the importance of making their best effort to keep the Townspeople informed and maintain communication and transparency.

M/S/W: Collins/Griggs, to form a working group comprised of two members each from the Boards of Finance, Selectmen, and Education to determine options on how to deal with the shortfalls under Tiers I, II, and, possibly, III. Discussion: Clerk Householder felt, and Board Member Salas agreed, that the BOE and Board of Selectmen should work separately as one budget is not dependent upon the other. The Motion and Second were withdrawn.

M/S/C: Householder/Salas, to form two (2) working groups of the Town Government and Board of Education to determine and propose budgets based on the following numbers provided for Tiers I, II, and, possibly, III to the Board of Finance on November 9, 2017.

	BOE Cut (72.49%)	Town/Capital Cut (27.51%)	Unassigned Fund Balance
Tier I	\$145,000.00	\$ 55,000.00	\$200,000.00 – 12.8%
Tier II	\$290,000.00	\$110,000.00	\$400,000.00 – 11.5%
Tier III	\$580,000.00	\$220,000.00	\$400,000.00 – 11.5%

Discussion: Board Member Griggs suggested placing an informational blurb in *The Day* Newspaper regarding the meeting. Chairman Butcher suggested appointing a Board of Finance liaison to each of the groups. Voice vote, 6-0, all in favor.

M/S/C: Collins/Caldwell, to appoint Clerk Householder as the Liaison for the Town Government and Board Member Griggs as the Liaison for the Board of Education working groups in the aforementioned motion. Discussion: None. Voice vote, 6-0, all in favor.

M/S/C: Collins/Householder, to, per Section 6.02, line 9, the Board of Finance hereby requests the First Selectman to freeze any further Capital Spending in Fiscal-Year 2017/2018 due to the absence of a State Budget. Any further Capital Spending out of the Fiscal-Year 2017/2018 will require a Purchase Order signed by the First Selectman and approval by the Board of Finance. This request will continue until December 14, 2017. Voice vote, 6-0, all in favor.

Board Member Collins announced that he would be out of the country and unable to attend the Board's November meeting. He expressed his appreciation of the Board Members' conscientiousness, adding that he is impressed with the time, dedication, and care in which the Members invest as they handle the Town's finances.

OLD BUSINESS: none

ADJOURNMENT:

M/C: Householder, to adjourn the meeting at 8:34 p.m. Discussion: None. Voice vote, 6-0, all in favor.

Respectfully Submitted by:

Agnes Miyuki, Recording Secretary for the Town of Salem