

**TOWN OF SALEM  
BOARD OF FINANCE  
SPECIAL MEETING MINUTES  
THURSDAY, JANUARY 26, 2017 – 7:00 P.M.  
SALEM TOWN OFFICE BUILDING**

**PRESENT**

TJ Butcher, Chairman  
George Householder, Clerk  
Marshall Collins  
Janet Griggs  
Hernan Salas  
John Houchin, Alternate  
Will Evanson, Alternate (*seated*)

**ABSENT**

Deborah Cadwell

**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:**

Chairman Butcher proposed waiting to seat an alternate until the possible arrival of Board Member Cadwell.

**COMMUNICATIONS:**

A notice was received regarding the dedication of the Town's 2017-2018 Annual Report. Shirley Diamond, Jack Ditko, and the Eight-mile River Band, who has performed pro bono at a number of fundraisers and provided free concerts at various Town venues, were proposed. Chairman Butcher requested that the public submit the names of any additional contenders who he/she feels is worthy of the dedication. An individual(s) will be selected at the Board's next regular meeting.

**AGENDA:**

**1. APPROVAL OF MINUTES: JANUARY 12, 2017 BOF Meeting**

**M/S/C: Griggs/Collins, to approve the Regular Meeting Minutes of January 12, 2017.**

**Discussion: None. Voice vote, 5-0, all in favor.**

**2. ACT ON PROPOSED APPROPRIATIONS FOR 2017-2018**

**M/S/C: Householder/Collins, to seat Alternate Board Member Evanson for Board Member Cadwell. Discussion: None. Voice vote, 5-0, all in favor.**

**A. #930 CAPITAL EXPENDITURES**

The following items on the Capital Plan for FY 2017-2018 and any changes that were made during their Capital Plan discussions were reviewed:

Line item 1, BOE Replace Corridor Lockers (1994) – It was understood that the issue involved the maintenance of the locks and was removed from the Capital Plan. Board of Education (BOE) Liaison Sean Reith stated that, during a recent review of the lockers by the BOE, the issue extends beyond the locks and includes bent doors.

Line item 2, BOE Replace Roof Top A/C Units (\$175,000.00) was moved from FY2017-2018 to FY2018-2019 to coincide with the replacement of the roof.

Line item 3, BOE Replace 1994 Boilers (\$75,000.00) was moved to FY2019-2020, in accordance with the State's two-year budget plan and with the understanding that any unexpected issue(s) that arise during the interim would need to be addressed at that time. The boilers are estimated to have a life span of 30 (thirty) years. In response to Board Member Householder, Public Works Director Donald Bourdeau stated that the boilers are continuing to work well and the item may be postponed. There is a maintenance contract for the boilers in place at this time. Each section is estimated to cost between \$8,000.00 and \$10,000.00.

New item, BOE Media Rep./Filter Refurb (\$6,924.00)

New item, Recreation - Rep/Resurface Basketball and Tennis Courts (\$21,400.00) should be revised to read \$21,000.00. The item, which was previously removed from the Capital Plan, was re-entered, at the request of Recreation Commission Chairperson Sue Spang.

New item, Concession Stand (\$136,000.00), which was inadvertently removed, should be re-entered for FY2018-2019.

Line item 20, PW F-250 Pickup Truck with Tail Gate Lift (\$32,361.00) should be revised to read \$30,000.00, based on the most recent estimate.

Line item 22, PW Large Snow Plow Truck #1 (\$62,000 for FY2017-2018, FY2018-2019, and FY2019-2020)

Line Item 34, PW Road Improvement (\$400,554.00)

Line item 36, GLVFCO/SVFCO Scott RIT Pack replacement (\$15,000.00), a joint purchase to replace three (3) of their current RIT Packs for both Fire Companies, should be revised to read \$13,000.00. Salem Volunteer Fire Company Chief Rick Martin reported that, since their meeting in October 2016, he has been working with the Fire Chief for the Bozrah Volunteer Fire Company, whose RIT Packs are also in need of replacement, and has been able to secure a reduced price for the RIT Packs.

Line item 38, GLVFCO Tanker Truck (\$222,000.00)

Line item 41, GLVFCO Fire Fighting Turnout Gear and Hose (\$14,000.00) will be added to the FY2026-2027 Capital Plan.

Line Item 43, GLVFCO Thermal Imaging Cameras (2) (\$17,800.00) – The Board agreed to increase the amount from \$14,800.00 to \$17,800.00 in October 2016.

Line item 51, SVFCO Replacement Gear and Hose (\$10,000.00) should read \$12,000.00, as previously agreed upon by the Board. The amount indicated for all of the fiscal years will need to be changed.

Line item 52, SVFCO Storage Building (\$25,000.00)

New item, GLVFCO/SVFCO Extraction Tools and Exhaust System (\$50,000.00), which was inadvertently excluded from the Capital Plan, will be added for FY2017-2018 and FY2018-2019.

The line items will need to be re-numbered to accommodate the additional line items. The total amount remains under their informal goal of not exceeding \$1 million in their Capital Plan. Upon approval, the changes will be made, verified by the Town's Finance Specialist, and sent to the Board Members.

Extensive discussion ensued regarding a recent article regarding Governor Dannel Malloy's case for making changes to the funding of local schools, which states that municipalities have a better financial cushion than that of the State. Based on Chairman Butcher's understanding of the article, the State could, conceivably, punish the Town for their efforts in growing and maintaining a healthy Unassigned Fund Balance or rainy day fund of 15.996% of its General Fund, which is significantly higher than that of the State's, which is currently 1.3% of the State's General Fund budget. While it is recommended and considered best practice to maintain an Unassigned Fund Balance between 12% and 15% of the Town's Operating Budget, according to a spokesman for the Governor's budget office, "Towns typically need 5 percent of their budget in reserve to protect their credit rating when selling municipal bonds. But everything over 5 percent could be used as operating funds". Board Member Griggs suggested moving some of the funds into a Capital Reserve Fund. Chairman Butcher, sensing the necessity for the Town to make a "pre-emptive strike" by preparing for the State's cut(s) and avoid making any additional cuts to their Operating Budget, and/or utilizing some of the Unassigned Fund Balance to offset any tax increases, proposed spending some of the funds for a capital expenditure(s) and reducing their Unassigned Fund Balance to 12% as well as their Capital Budget for the following year(s) and, possibly, reducing the amount that would be cut by the State. It was agreed that utilizing funds from the Unassigned Fund Balance for the Operating Budget to offset a tax increase merely postpones the tax increase. First Selectman Lyden noted that the audited figures have already been submitted and making changes to their FY2017-2018 budget would, most likely, have no effect, as the State will be basing their decisions on the figures submitted as of June 30, 2016.

While Board Member Collins is agreeable with providing a pre-payment on a Capital item(s), thereby saving on the interest and resulting in a long-term benefit for the

residents, he expressed his wish to maintain an Unassigned Fund Balance of 15% knowing that the State is likely to make, possibly, significant cuts to their overall budget. Being a small town, the Unassigned Fund Balance should be reserved for unexpected expenses, e.g. an unexpected influx of special education students, an unexpected breakdown of a major piece of equipment, and the like. In addition, eliminating the cost from the Capital Budget could result in various departments viewing that elimination as the Town having an excess of funds. Furthermore, based on the statement made by the Governor's budget office, he felt that the Town would be penalized whether their Unassigned Fund Balance is 15% or 12%. Board Member Salas is also agreeable to bringing their Unassigned Fund Balance down to 15% by expending approximately \$150,000.00 for a Capital item.

Should the Board approve the expenditure of part of their Unassigned Fund Balance for a Capital item, Board Member Griggs recommended consulting with their Auditor before doing so as she recalls a previous similar decision to expend funds for an expense to save on the interest, resulting in a finding against the Town. She also proposed sending messages to the State Legislators, i.e., Senator Paul Formica, Senator Cathy Osten, Representative Holly Cheeseman, and Senator Heather Somers, informing them that what is being proposed in the article would not be considered best accounting practices and goes against the recommendations of the Auditor(s).

Alternate Board Member Houchin recommended being cautious with the expenditure of funds for hard and/or soft money. Hard money would include the General Fund that is spent annually and should not be where the Unassigned Funds are expended, while soft money would be Capital Funds that would contain one-time expenditures. Should the Town experience a cut of \$1 million or one-third of their ECS (Education Cost Sharing) funding, Board Member Householder envisions the School taking 50% or a \$500,000.00 cut and the Town's Operating & Capital Budgets and Residents taking 25% or \$250,000.00 cut each, which would result in a tax increase of under 1 mil. The Town experienced an \$80,000.00 cut from the State last fiscal year.

The key dates are: February 8 when the Governor will be presenting his budget message; April 27 when the Finance and Appropriations Committees are scheduled to present the legislative response. The budget may not be finalized until June 8. As such, similar to the previous year, the budget will, most likely, be passed without the Town's knowledge of the State's funding to the Town.

Responding to a suggestion made by the First Selectman, Board Member Householder proposed utilizing a designated amount from the Unassigned Fund Balance for a Capital expenditure(s). Chairman Butcher provided a brief explanation of the budget process, stating that their discussion regarding the Capital Plan and Unassigned Fund Balance will also be finalized during the final budget meeting.

**M/S/C: Collins/Griggs, to approve the inclusion of the following items on the FY2017-2018 Capital Plan:**

New item, BOE Media Rep./Filter Refurb	\$ 6,924.00
New item, Rec - Rep/Resurface Basketball & Tennis Courts	\$ 20,000.00
Line item 20, PW F-250 Pickup Truck with Tail Gate Lift	\$ 30,000.00
Line item 22, PW Large Snow Plow Truck #1	\$ 62,000.00
Line Item 34, PW Road Improvement	\$ 400,554.00
Line item 36, GLVFCO/SVFCO Scott RIT Pack replacement	\$ 13,000.00
Line item 38, GLVFCO Tanker Truck	\$ 222,000.00
Line item 41, GLVFCO Fire Fighting Turnout Gear and Hose	\$ 14,000.00
Line Item 43, GLVFCO Thermal Imaging Cameras (2)	\$ 17,800.00
Line item 51, SVFCO Replacement Gear and Hose	\$ 12,000.00
Line item 52, SVFCO Storage Building	\$ 25,000.00
New item, Extraction Tools and Exhaust System	\$ 50,000.00
<b>TOTAL</b>	<b>\$ 873,278.00</b>

**Discussion:** The Board will review the items when they meet to finalize the budget. Voice vote, 6-0, all in favor.

**B. 10-YEAR CAPITAL PLAN**

**M/S/C: Griggs/Evanson, to send a letter to each of the Legislators from the Board of Finance clarifying the recommendations provided by the Auditor regarding the Unassigned Fund Balance. Discussion:** Board Member Collins suggested urging them to oppose the budget changes that would adversely affect towns that have followed their Auditor's recommendations regarding an adequate Unassigned Fund Balance. Chairman Butcher and Board Member Collins volunteered to draft the letter. Board Member Householder suggested including the Government Finance Officers Association's (GFOA) recommendation of maintaining an Unassigned Fund Balance of 16% for municipalities and visiting the GFOA.org website and utilizing their calculator to determine the Town's rule of thumb for the Unassigned Fund Balance. Voice vote, 6-0, all in favor.

**OLD BUSINESS:** none

**ADJOURNMENT:**

**M/C: Householder to adjourn the meeting at 8:05 p.m. Discussion:** None. Voice vote, 6-0, all in favor.

Respectfully Submitted by: Agnes Miyuki, Recording Secretary for the Town of Salem