

New Hartford Board of Finance
Regular Meeting – Senior Center
Tuesday, August 8, 2017 @ 7:00 pm

Present: Chairman Jim Fitzgerald, Members: Bart Baxter, Dan Charest, Ben Witte, Steve Tuxbury, Reggie Smith, Jr., First Selectman Dan Jerram, Selectman Laura Garay, Superintendent of Schools Brian Murphy, BOE Chairman Jenn Benaitis, Member of the Press Kathryn Boughton (Republican American), Members of the Public Aulay Carlson and others, Recording Secretary Penny Miller.

Absent: Alternates Bob Nilsson and Maria Moore (in at 7:07 pm)

Chairman Fitzgerald opened the meeting at 7:01 pm

Seating of Alternates:

As the full board was present no alternates were seated.

Adoption / Revision of Agenda:

No changes were made to the agenda

Approval of Minutes from the June 29, 2017 Special Board Meeting

MOTION: by Charest to approve the minutes of the June 29, 2017 Special Meeting, second Tuxbury.

Discussion followed. Mr. Witte said the purpose of the June 29th meeting was to review the legal opinion regarding how we are to handle spending in the absence of an approved budget. That significant point was missing from these minutes. He continued that the First Selectman presented the legal opinion of the Town Attorney who unequivocally stated that the Board of Selectman has the authority for the interim budget in the event we don't have a budget approved by the legislative body before the end of the fiscal year. This should be part of the minutes as it recognizes the opinion of the Town Attorney.

MOTION: by Witte to amend the minutes that First Selectman Jerram stated the town attorney's opinion was that the Board of Selectman had the authority to spend on an interim basis as we don't have a budget approved by the legislative body. Second by Charest.

Alternate member Moore arrived at 7:07. As all board members are present she was invited to join in the conversation but will have no opportunity to vote.

Aye: Witte, Tuxbury, Smith & Charest, Opposed: Fitzgerald, Abstained: Baxter

Motion passed.

Mr. Fitzgerald called for a vote to approve the minutes as amended.

Aye: Witte, Tuxbury, Smith, Charest, Fitzgerald, Opposed: none, Abstained: Baxter.

Motion passed.

Opportunity for Public Comment:

Aulay Carlson, 455 West Hill Road, said it is very interesting that you accepted a motion based on a comment but the comment wasn't made by the attorney present but based on a second hand opinion

voiced by someone who has an interest in having a voice. He then read a letter (filed with these minutes) regarding spending in town and how families are going to handle this. The two entities haven't done anything. The Board of Selectman could reduce spending and the Board of Education could close two schools. These actions would limit the size of the pending mill rate increase. We don't have any idea on the final tax cost.

Communications or other items to come before the Board filed with the Town Clerk)

1. Regional Refuse Disposal District One, re: FY 17/18 Budget Assessment. Stating they are reducing the annual fee to New Hartford by \$14,172. Quarterly payments will be \$31,250.
2. Northwest Regional Mental Health Board, Inc., re: FY 2017-2018, asking that their request for \$744 for F/Y 2017-18 be added as a new expense line in the town's budget. This is a bill but it is a suggested donation bill.
3. Karl Hermonat, Board of Education member, re: the BOE decision at the May 16, 2017 Special Meeting to not make the cuts suggested by the Board of Finance as they would have a dramatic negative impact on the quality of education provided to children and families of New Hartford.

Chairman Fitzgerald said he wasn't sure why the BOE letter was written by Mr. Hermonat on BOE letterhead when the BOE asked the Superintendent of Schools to do it. He wasn't sure where this is in procedure and acceptance as it wasn't approved by the Board of Education.

Reports

Bookkeeper's Report

Mr. Fitzgerald commenting on the Bookkeeper's Report for F/Y July 1, 2016 – June 30, 2017 and the only item is for the month of July, F/Y 2017-2018. That department is still in the process of closing out the year and as a result there are no line item transfers.

First Selectman's Report

Mr. Jerram responding to Mr. Carlson's comment said he agreed with him but it wouldn't be appropriate to send the budget to the legislative body for a vote. Both budgets – the Board of Education and local government are decidedly much lower than last year. The Board of Education budget is \$147,000 lower than last year. The capital plan is also lower than last year. In the General Government budget most line items are lower than last year. We are trying to save money and it is a disservice when comments are made that we are spending more than last year when we are not.

With the interim budget we are operating fine. In an attempt to lower the budget, the Maintenance Budget for the Town Hall is down to zero (0) and now the BOE air conditioning unit for their offices is broken. It will need to be fixed and the cost is around \$5,000 which falls under Capital. Closing out the year our revenue was good for last year and we will have a surplus. Collections through the Tax Collector's Office came in high. Another tax sale scheduled for later this month. In terms of larger issues – we are moving forward. Mr. Jerram said there are four items the board should be aware of. The dam at West Hill Lake is leaking. They estimate repairs will be a minimum of \$47,500. The Board of Selectman voted to give the West Hill Lake Property Association the full disbursement amount of \$5,000 to start the engineering process along with a similar donation from Barkhamsted. The next Capital issue is, after a few visits from DEEP, the tank removal from the town garage for the installation of oil separator tanks. We have approval from Wetlands and Zoning to start the work. We gave you an estimate of \$20,000 and I believe we are on target. The Board of Selectman was given an update from the WPCA on their cash flow. They have presented a very bleak picture with a 10% vacancy rate within the sewer use community combined with losing their largest commercial customer – Avanti cleaners.

The biggest news is that the governor wanted specific information on our fund balance. He fears that Malloy will use that against us. Even though our financial analysts tell us to keep a fund balance – those with no budget experience – want to take advantage of those with healthy fund balances. We will be rated again by Moody's and Standard & Poor's in November. The letter from the governor is filed with the minutes.

Ms. Moore asked if the Board of Selectman decided anything about the WPCA's need for funds. Do they have enough funds to go forward? Mr. Jerram said they are doing some juggling and it will be discussed at the September Board of Selectmen meeting.

Mr. Fitzgerald asked about the WPCA making their payments to the town. Mr. Jerram replied the board may vote to temporarily suspend their payments at the next Board of Selectmen meeting.

Mr. Fitzgerald asked if the West Hill properties have any accountability to the cost of the repair. Mr. Jerram said all the groups around the lake are doing fund raising now. Mr. Tuxbury asked who is responsible for the dam. LAPOA owns the land that the dam is on. West Hill Shoreline Property Owners own the physicality of the dam. Mr. Baxter asked if they had a proposed plan for fixing it or where the money will come from. Mr. Jerram said they need to do the engineering and permitting and it will need to go through DEEP.

Mr. Jerram said the status on the Carpenter Road Bridge is we have expended \$250,000 and \$75,000 to \$80,000 is the box culvert. The contractor did try to install the box culvert at end of the fall / winter and are now looking to re-engage. The final project remains 10% under budget.

Treasurer's Report:

Mr. Fitzgerald said Mr. Ross (who is on vacation) said in an email that the reason for the confusion on the balances, at the last meeting, was when the report was printed during the business day and there was money coming in and out.

Superintendent & Board of Education Chair, New Hartford Public Schools:

Mr. Murphy reported that for the F/Y 2016-2017 they will have a very small surplus of under \$5,000. The Capital projects have been completed for 2016/2017.

There have been three resignations. A new Special Education Director has been hired. Interviews for the new elementary school principal and curriculum director are scheduled for August 16 & 17 for the principal and August 22 & 24 for the curriculum director. It is hard when we lose quality people. Mr. Fitzgerald asked if Mr. Murphy had discussed with the Board of Education steps to take to economize. The board has been working hard since January to look for efficiencies. They have cut \$146,000 from the budget since the Board of Finance proposed cuts of \$290,000 from the BOE budget. Ms. Benaitis as far as the 3 resignations our board hasn't met since Dr. Pangallo resigned and we need to have some discussion. As you are aware we are in a tight financial situation. We have some cuts we need to make and we need to look at our budget. The board will meet next Tuesday evening. Ms. Moore asked have you discussed hiring a principal / curriculum director. Mr. Murphy said at the last meeting there was a discussion about the curriculum director. We need all the positions that we currently have. Ms. Moore asked you are looking to hire a full-time principal for 140 children. Why aren't the two positions combined into one. We are looking for savings and this is a natural place to look. She continued when the Special Ed. Director resigned she sent a letter to the BOE asking them to consider hiring a .6 director. When we had 600 students we had a .6, then it went to .8 and now it is full-time. We have gone from 600 students to just slightly over 400. If we are looking to cut our budget how can you justify hiring a full-time Special Ed director when it was done by a .6 director. She is disappointed that the letter wasn't

responded to nor mentioned in the BOE minutes. Ms. Benaitis responded with a Special Ed Director we need someone who is qualified to meet the needs of our special needs students.

Discuss and taken, any action regarding final line item transfers for consideration and approval by the BOF for the fiscal year end June 30, 2017

There are no line item transfers and this will be moved to next month.

Discussion and review of projected revenue and expenditures for fiscal year 2017-2018, updates regarding State budget progress and municipal aid

Mr. Fitzgerald said the revenue report submitted for the FY 2016/17 and there is a net total of \$112,333.00 in terms of the surplus. Some of the cuts from the state were minor throughout the year. Some cuts were ECS, Lieu of taxes from Manufacturer's, Transportation, Special Ed, Oak Hill was \$28,000 plus and WPCA. Projected Revenues based on state & town for 2017/18 the big hit under Intergovernmental Revenue is Town Aid Roads, LOCIP, Lieu of Manufacturers, Veterans, Elderly and Disabled. The real hit is ECS going from \$3,155,693.00 down to \$922,227.00, a cut of \$2.2 million - 78% reduction. The reductions in Municipal Revenue Sharing, Grants for Municipal Projects, Transportation, and Special Ed goes up to \$619,143.00, the net reduction is \$1,997,438.00. With the Teacher's Retirement Pension of \$786,694.00 we will have a hole of \$2,784.132.00. That is with putting in \$200,000 from surplus to the revenue side. With the letter from Governor Malloy to the Office of Budget & Management, that is a further indication that they are looking to raid municipalities like New Hartford to benefit larger inner city municipalities.

Ms. Moore asked if it was practical to have the WPCA in there if they are having financial difficulties. Mr. Fitzgerald responded we need to have traceability and it's a debt that has to be paid. This is an annual debt payment to the town and we can't lose track of it. But we also can't count on it at the present time. The traceability of the loan is in the audit report.

Mr. Tuxbury asked if there is a timetable when we will know something solid. Mr. Fitzgerald responded that people in town have received bills for the first installment of their taxes. Mr. Fitzgerald said we can't go month to month without providing some direction. We need to come up with a workable budget that can go to the Board of Selectmen and then to the town for a vote. With the projected revenue numbers we are looking at a 12.93% increase in taxes or a mill rate increase of 3.815. He proposes that as a board they work up some models and come up with a number with the additional cuts, funding the revenue side with surplus and if the Teacher's Retirement comes up, see what that looks like. This budget contains the cuts already made by the Selectmen and implemented but the Board of Ed. hasn't made all the cuts that we asked them to make. However, the reduction that we asked them to make is reflected in here. Any additional cuts we come up with tonight will need to be taken care of along with the other cuts. By not making all the cuts, they are doing a disservice to their own board and to their own education system. This is a slap in the face to this board and isn't funny stuff here.

Looking at this on the Revenue side, we had the \$200,000 in surplus we didn't use last year and this year's \$200,000. Possibly we can estimate another increase of \$200,000 - \$300,000 from surplus. We don't want to go to deep and have it affect our ratings with the bonding companies.

Mr. Witte said they keep talking about the teacher's pension fund. We do need a budget but he is uncomfortable with putting forth a budget. His concern is the school working to reduce its budget. The number given them was \$290,000. So far they haven't done that. They have done \$93,000 and \$140,000. We can put out a letter to the townspeople telling them about what is going on with all the fluctuations with the state.

Discussion continued on where the board can find cuts to make. Mr. Witte said we know there will be a major tax increase and we need to make sure Region 7 participates in it. We need to meet with the other towns and go back to Region 7 telling them they need to help with some of this. We need to get together with the other towns either doing it at a BOE level or the BOF level. We may have better success if we poll the other BOF boards. Mr. Fitzgerald said there may be two towns that would support and one that might not. He asked the board when they wanted a budget. Mr. Witte said it is a two-month process. Mr. Fitzgerald said if we approve a budget tonight then it goes to the Board of Selectmen. From there it goes to a town meeting and then to referendum. Mr. Jerram said there won't be a town meeting in August. The Selectmen don't meet until the 4th Tuesday. Mr. Fitzgerald said this is an election year and is a hot topic for everyone. Mr. Witte said the town put the cuts in place and if you can live with those numbers there are steps in place to make it happen. We need to make sure that the school can live with those cuts. He is willing to wait another month then to try to reduce it even further tonight. Ms. Moore asked if Region 7 can do something. Mr. Jerram said it is a fixed payment schedule to them. He said we can wait a month for a budget. Mr. Smith said that other towns who approved their budgets are regretting it as they are realizing their revenues are being cut further. He would like to wait another month. If the First Selectman and the BOE are doing okay with the money they have he doesn't see a reason to rush this and to put more surplus in and make more cuts. He doesn't think it will get better next year and it will probably get worse. We should try to control our own destiny. Mr. Witte would like to see what the other BOF boards are doing in the Region 7 towns. See if they did a budget like ours. We need to address the letter from the local BOE that was read tonight. We are getting into the school year and they need to make adjustments now and not later in the school year.

Ms. Benaitis responded that Supt. Murphy has endorsed \$296,000 in cuts. The majority of the BOE has repeatedly rejected those cuts. At the next BOE meeting, next Tuesday, Mr. Murphy and I will endorse these cuts and encourage the board to make the needed cuts asked by the Board of Finance. She said she would tell them they attended the meeting and this budget does reflect our cuts. Mr. Fitzgerald said all you are getting is what you are getting. There isn't any more than what was allocated to the BOE last month. Mr. Witte asked what stops the Board of Education from progressing through the rest of the year with the \$95,000 cut. Ms. Benaitis said the Board of Education lawyer came in to explain the procedures as far as how it can be misleading. We told him there was a cut to be made and that is what was expected of us. As it was done in Executive Session the attorney's opinion was client – attorney privilege. Ms. Benaitis said she could say it is misleading to the public when directed by a board to make a cut and if we don't make the cuts it is perception. Mr. Smith asked if the board realizes the cuts have been made by this board. Ms. Benaitis said she believes so. Mr. Smith continued that this board is the budget-making authority. There is a state statute that if you spend money outside of the appropriation whether we like these cuts or not that they can be held legally liable to pay it out of their own pocket. Ms. Benaitis said that we have that statute and the board has discussed this. Mr. Fitzgerald said he's sure that the board attorney will acknowledge and confirm this.

Mr. Baxter asked Supt. Murphy if the Board of Education will be able to operate with the total reduction we asked for. Mr. Murphy said that they will be able to operate for the short-term. But the budget still needs to go before the voters at referendum. In regards to the letter written by Mr. Hermonat, the Board of Education instructed Supt. Murphy and Karl Hermonat to send the letter to the Board of Finance. That letter was sent to all board members prior to the additional cut made at the last Special Meeting. The \$96,000 in cuts and the \$50,000 in the elimination of a teacher came to \$147,000. Ms. Moore questioned why the letter was written by a board member when the Vice-Chair was leading the meeting. Mr. Murphy said that was the board's instruction for him and Karl to write the letter.

Mr. Fitzgerald said the state is dealing us the worst case scenario. You have the \$296,000 in cuts and what happens if this isn't the worst case scenario from the state. As we haven't done anything yet are

we going to take that action in November / December? Mr. Tuxbury said we approved through September. In September we would need to approve more spending.

Mr. Fitzgerald will reach out to the Board of Finance members in the Region 7 towns. The board members said they would be willing to have a special meeting with the other boards to formulate a plan of action. Mr. Fitzgerald will reach out to the other BOF chairmen.

Fiscal Year, July 1, 2017 – June 30, 2018 New Hartford Budget: discuss (all aspects)-Town, Education, Capital, Revenue, etc.) And take any action on the proposed 2017-2018 budget, and, discuss and take any action on sending the budget to the Board of Selectman for the Town Meeting, where the 2017-2018 Budget will be subject to approval by the legislative body at a referendum.

No action was taken on this item.

Mr. Fitzgerald asked when they board should have its next meeting. It was felt that if the state came out with a budget that the board would have a Special Meeting. If not, then the end of September, first of October.

Adjournment

MOTION by Charest to adjourn the meeting at 8:39 pm, second Smith.

Unanimous

Respectfully submitted,

Penny Miller
Recording Secretary

Attachments:

Comments read by Aulay Carlson
Letter from Regional Refuse Disposal District One
Letter from Northwest Regional Mental Health Board, Inc.
Letter from BOE member Karl Hermonat
Malloy Request to Secretary Ben Barnes OPM on Municipalities Financial Information
Gordon Ross email