

**Board of Finance
Regular Meeting
October 10, 2017**

Minutes

Present: Board of Finance Chairman Jim Fitzgerald, Members Reggie Smith, Steve Tuxbury, Bart Baxter, Ben Witte, Dan Charest; Alternate Members Maria Moore, Bob Nilsson; First Selectman Dan Jerram, Selectman Laura Garay, Selectman Alesia Kennerson, Treasurer Gordon Ross, Bookkeeper Annie Witte, Several Members of the Public, Member of the Press Kathryn Boughton (Republican American) Administrative Assistant Christine Hayward.

Chairman Fitzgerald called the meeting to order at 7:00 PM.

Seating of Alternates:

All regular members present, no need to seat alternates. Chairman Fitzgerald welcomed their participation in discussion, but stated that they would not be able to participate in any votes.

Chairman Fitzgerald asked the audience to indicate who was present on behalf of the West Hill Lake Association, clarifying that there was a time limit of 10 minutes and that he had spoken with Mr. Unger who indicated that only 3 or 4 individuals would be speaking on behalf of those present. He asked if there was anyone else present who would like to address the Board during Public Comment on matters other than West Hill Lake and reminded all that this was not a Public Hearing, it was a Board of Finance meeting. He asked that those wishing to make their comments addressed to the Board, not the public.

Adoption/Revision of Agenda:

There were no revisions to the agenda.

Approval of the Minutes from the September 20, 2017 Special Board of Finance meeting:

MOTION: by Tuxbury to approve the Minutes of the September 20, 2017 Special Board of Finance meeting; seconded by Smith.

No discussion, All in favor – none opposed

Unanimous.

Opportunity for Public Comment:

Mr. Aulay Carlson, 455 West Hill Road, New Hartford read directly from a letter he submitted to the Board of Finance that outlined his concern for fiscal responsibility and oversight and requested that the Board of Finance do their part to limit and control unnecessary expenditures. (letter attached to minutes filed with the Town Clerk and is also available upon request)

West Hill Lake Association (10 minutes):

Peter Humphrey, 273 Niles Road, New Hartford, read directly from a letter he submitted to the Board of Finance stating his concern for West Hill Lake water quality; outlining his opinion of the value of a clean lake and the positive impacts the Lake has on property values and providing a solid tax base for the town. He expressed a need for an increase in awareness to the need for funding for West Hill Lake in order to combat environmental issues that could negatively impact the Lake. (letter attached to the minutes filed with the Town Clerk).

Steven Unger, 706 West Hill Road, New Hartford addressed the Board of Finance. He referenced his volunteer service to the Town of New Hartford and stated that his profession was as an Environmental Engineer who performed environmental studies across the United States and therefore he has extensive first-hand knowledge of lakes and water quality issues. He is familiar with the amount of expenditures that associations direct towards the upkeep of their lakes. He stated that West Hill Lake is only one of two lakes with public boat ramps without invasive species. Mr. Unger informed the Finance Board that the property owners associations have been using the services of volunteers to perform boat inspections prior to boats entering the water at the public boat launch. This has resulted in keeping invasive species at bay. However, it is getting increasingly difficult to get volunteers to perform this service. Mr. Unger would like to see funding for a paid inspector position at the boat launch. Mr. Unger noted that limnology studies for West Hill Lake show that the bottom of the Lake is not what it was 30 – 40 years ago, it is showing some signs of decline. He encouraged the Board of Finance to increase funding for the Lake, saying “we need to spend money to keep the lake clean.”

Chairman Fitzgerald asked Mr. Unger if he had approached the First Selectman for funding for an employee at the boat launch. Mr. Unger replied that he had not done so.

Mr. Unger questioned the reduction of the line item in the 2017-2018 for West Hill Lake; stating that there had originally been \$16,000 proposed in that line item and it was now down to \$5,000. He asked if that reduction had been done by the Board of Finance or the Selectmen. Mr. Fitzgerald replied that it was the Selectman’s budget. Board of Finance member Witte interjected that the Board of Finance had directed the Board of Selectmen to cut \$128,000 from their original proposed budget and that the West Hill Lake line item took a hit due to that directive.

Communications or other items to come before the Board:

Chairman Fitzgerald noted that a letter was received from Aulay Carlson at the last Board of Finance meeting (September 20, 2017) but it was not entered into the record at that time. He presented the letter to the recording secretary to be attached to these minutes. There was no discussion of the letter. (letter attached to the Minutes filed with Town Clerk).

Chairman Fitzgerald announced that the Economic Development Commission is holding a meeting on October 16, 2017 to promote tourism in New Hartford. The meeting is begins at 5:00 PM. RSVPs are being requested and Mr. Fitzgerald encouraged Board members to attend this event, if their schedule permitted them to do so.

Reports:

Bookkeepers Report:

Bookkeeper Annie had sent revenue and expenditure reports to the Board members. She sent them her report, too. She also included a summary update for both Town and Board of Education expenses to date. Member Charest asked “where are we at with respect to the budget?” First Selectman Jerram replied that expenses are at roughly 30% of the budget; but noted that payments to Regional School and the Pension fund tend to be frontloaded, which has an effect on the percentage.

Board of Finance Member Moore questioned the practice of paying the pension costs up front. She noted that this is an annual expense and asked if there was flexibility in the payment schedule. Not expending the funds all at once would leave funds temporarily available for other uses. Mr. Jerram replied that it was the recommendation of the Pension Board to pay up front due to potential gain in investments. Ms. Moore countered that she would encourage that this be revisited with the Pension Board to see if changes could be made to this practice; stating that she was involved in pension funds/plans in a prior occupation and customers were not required to fund up front.

Ms. Moore asked if the Education Cost Share (ECS) grant listed as not being received to date included the anticipated grants for both the Town and Regional School. Ms. Witte replied that was correct, nothing has been received.

Chairman Fitzgerald asked Ms. Witte for updates regarding Town Aid Roads, LOCIP, and Board of Education pass through grants. Ms. Witte replied that the only state revenue received thus far, as indicated on her written report, is Adult Education in the amount of \$1,952. Mr. Fitzgerald asked if the \$619,413.00 in Special Education funds will be forthcoming. Ms. Witte replied that she has no way of knowing that answer. The budget has not yet been settled. Mr. Fitzgerald asked what the anticipated revenue is for the Pass through grants; to which Ms. Witte replied that the Board of Education completes the reports for those reimbursements and he would have to ask them for that figure.

Treasurers Report:

Town Treasurer Gordon Ross reviewed the various account balances with the Board of Finance. He informed the Board that the newly acquired 30 day CD is earning 1%. He asked the Board members if there were any questions regarding the various accounts and balances. No questions were asked. Mr. Ross stated that he and the First Selectman had participated in a rating conference call with Standard and Poor’s in preparation for the refinancing that is currently underway. It was noted during the teleconference that a high priority is placed on adequate reserves. They recommend 15% of annual budget in order to receive a “very strong – AAA” rating. Member Moore asked if a written report of the rating will be available. Mr. Ross replied that it will be online at Standard and Poor’s when complete. Member Tuxbury asked to know what the actual bonding figure will be. Mr. Jerram stated that the bonded amount will be \$3,915,000. Member Witte asked if the topic of a fund balance policy was addressed during the call. Mr. Ross replied that it was briefly discussed – the representative was told that the town is in the midst of development of such a policy. Mr. Jerram stated that they responded for now that there has been a practice in place of having around \$3 million in the bank. It is a practice that has not been codified but has been a standard that has been used since his initial term of office.

Mr. Ross added that there are many towns that do not have such a policy and rely on State Statutes, which is what New Hartford has done; but he was in agreement that it would be best to have a policy.

Selectman's Report:

First Selectman Jerram informed the Board of Finance that the Board of Selectmen had met earlier that same evening and they had reviewed the Interim Budget that was currently in effect and had made some modifications to the budget. They also discussed and approved a timeline for consideration by the Board that would move the budget forward to a referendum vote.

The Selectmen approved changes to the Interim Budget that consisted of the following:

Restore \$10,000 to the Foothills Visiting Nurse line item in the Health, Sanitation and Welfare Department.

Also, several additions were made to the 2017-2018 Capital Budget. The Selectmen approved \$35,000 in expenditures for a lift for the town garage. Mr. Jerram stated that this is referenced as garage equipment. Quotes for a lift have averaged at \$31,000 but there is also a jack stand that is an additional \$4,000. The jack stand is a safety measure and the Selectmen felt that this is a good investment for added safety of employees. \$18,000 was added to the Capital Budget for the purpose of purchasing a Land Use vehicle. Mr. Jerram stated that the current vehicle is now inoperable due to the door mechanism not functioning properly. Repair costs are substantial when one considers that the vehicle has other issues, as well. Not having a vehicle is already causing some issues with inspections. \$40,000 has been added to fund repairs needed for the Blackbridge Well. There is currently an issue with the well called "cavitation" that has an effect on the water pressure and the ability to pump water to meet demand. The WPCA is having the Pine Meadow well tested to see if it can serve as the primary well; but there needs to be repair to the Blackbridge Well – it cannot be left as is. Mr. Jerram stated that the Selectmen discussed this need and determined that the best course of action would be to include the repair in the capital budget. The First Selectman stated that "we cannot leave our downtown residents without water."

On the revenue side, adjustments were made to the Education Cost Share item; reducing it to \$2,400,000 (which is lower than what the First Selectman anticipates receiving) as a "hedge;" and also noted that only approximately \$150,000 of the paving budget has been used thus far and the remaining funds are available as a "hedge" if needed. Jerram stated that he had reviewed the budget that was passed by the General Assembly and used those figures as a model for something he considers close to what the actual budget will look like, once approved. The interim budget as approved by the Selectmen shows a potential tax increase of 3.76%.

Mr. Jerram briefly discussed the proposed timeline, stating that in order to get the budget to the people to vote on, the Board of Finance should set a public hearing date tonight, as that begins the process. He felt it to be of importance to have a public hearing on the budget that will actually go to a vote, due to the fact that the budget has been revised several times since the initial hearing date. If the proposed timeline were to be accepted and used, a referendum would be held around the 21st of November. This would allow the Tax Collector the time needed to process and send out the tax bills so that revenue can

be generated. Jerram noted the importance of the additional items to the capital budget, stressing that these items were added due to their need at this time.

Chairman Fitzgerald reviewed the revised Capital Budget and had many questions regarding the document. He asked what happened to the Town Hall Phone system at a cost of \$20,000 which had been a capital expense and also questioned the WPCA waterline expense that had been included at one point and questioned where the well repairs were added. Jerram replied that the phone system is in place and those funds have been expended. Fitzgerald expressed his dissatisfaction with the document, stating that he expected accuracy and clarity when being asked to fund requests.

Alternate Member Moore commented that the document should be edited and revised in a manner that would remove some of the items that have not been funded in several years. Jerram replied that the format that is used is the format requested by the Board of Finance; one that shows history and proposed capital expenses. She opined that line items that have been zeroed out for many years should not be listed ad infinitum on the Capital Expenditures document; noting that if they were removed, there would be more space and therefore less confusion.

Chairman Fitzgerald turned the focus back to a discussion of the differences between the interim budget approved and recommended by the Board of Selectmen and the budget document that is being used by the Board of Finance. He explained that the Interim Budget fails to include any reference to the liability of the Teachers Retirement that the Executive Ordered Budget places on the town. The interim budget also does not take into consideration the anticipated loss of the Education Cost Share grant. Mr. Fitzgerald stated that there is a \$4 million hole to fill due to anticipated loss of revenue. His estimate of a tax increase stands at 17.79%, which would cause the existing mill rate to jump to over 6 mills. Jerram countered this, stating that the teachers' pension requirement was rejected by the General Assembly and therefore, he does not think that this expense will be passed on to the towns at this time. He rejected the possibility of a 17% tax increase, adding that the interim budget starts the process without scaring the public. He stated that the budget presented this evening is a recommendation and if the Board of Finance wanted to make adjustments --"tweak it" -- they were free to do so; the Board of Selectmen just wants to get the process started and this proposed budget is a "little closer to reality." Chairman Fitzgerald asked the First Selectman, "Was this approval unanimous?" Jerram replied yes. Mr. Fitzgerald defended the Board of Finance projections, stating that the numbers are from the State. Those figures are the figures that have been sent to the towns. Alternate Member Moore added that the budget that passed in the General Assembly received the approval of only 3 democrats; that does not give her comfort in believing that a final approved budget will be the same as that one. Member Smith commented that he did not support moving any budget forward for a vote until there is some certainty in the State numbers. However, he would be willing to consider a Town Meeting to consider the approval of the expenses for the garage lift, the land use vehicle and the well repairs.; adding that he personally believes that the WPCA should be responsible for their own repairs, but he would support asking the public to vote on that.

Alternate Member Bob Nilsson agreed that the Board of Finance should wait another week or so for the State to finalize a budget. He felt that the estimate of 3.76% tax increase was too low, yet 17% was too

high; therefore he would like to wait and see what progress might be made within the next week or so. Member Tuxbury was not in agreement with seeking funding for a Land Use Vehicle. He stated that they should use their own personal vehicles and should be paid for mileage.

Member Baxter felt that there doesn't seem to be any end in sight for completion/adoption of a state budget. He hoped that the Board could come to some sort of agreement tonight to move things forward.

Member Witte stated, "it doesn't seem like there will be any agreed upon budget tonight." He commented that the Board of Selectmen does not need to go to a Town Meeting to seek approval for spending; they have the authority to use their budget right now. The interim budget is under their control. Witte noted that there are a few things that could be added to the revenue side of the budget if the Board had misgivings regarding the anticipated revenues. The Collection Rate could be increased and there could be an addition of a draw from fund balance.

Member Charest referred to the proposed timeline for the budget process and asked, "are we out of time?" He wasn't confident that the "hedge" in the interim budget was enough. He supported Mr. Smith's suggestion of a town meeting approval of the added additions to the capital budget in order to buy time for approving the remainder of the budget.

Chairman Fitzgerald expressed his frustration with the proposed timeline. He recounted that every month, there has been the consensus of "let's wait;" yet tonight, approval of the interim budget became urgent. He stated that he agreed with Mr. Tuxbury that the WPCA needs to pay for their own repairs and suggested a special assessment to the users. He commented that the state budget may be done by the end of the week (October 13) and was concerned about "missing the mark" if moving things forward this evening. He stated that "Torrington has frozen their spending, there are no increases in salaries; Region #10 has consolidated services and laid off personnel; yet he has "heard nothing about freezing anything in New Hartford." He added that he was willing to wait – he did want to pass anything at this time. The Chairman also stated that the Board of Selectmen and the Board of Finance are so far apart on the numbers and no one has found a way to pay for what was approved. He reiterated that there is a \$4 million hole in the town budget.

The discussion closed with the Board agreeing that they would be amenable to holding a special meeting next week if the State adopted a budget.

Surplus-Fund Balance Policy: Sub-committee, Ben Witte & Bart Baxter:

A draft of a policy was distributed to the Finance Board members. The proposed policy is as follows:

We will strive to maintain a fiscal year ending fund balance at a target range of between 9% and 13% of the total budget. Occasionally we will fund an initiative out of fund balance while keeping this target range in mind. An urgent financial need could cause us to go below the target range. In that event a plan would be put in place to restore the fund balance to the target range over time.
This policy is subject to periodic review and potential change by the Board of Finance depending on future circumstances.

Mr. Witte stated that this policy allows for some fluctuation due to emergencies.

Mr. Witte noted that the timeframe for review is left vague and not specific so that there is no issue in the event that a review did not occur on a regular basis.

MOTION: by Smith to approve the fund balance policy as presented by Ben Witte; seconded by Witte.

Alternate Member Moore asked how the percentage of fund balance was chosen. Mr. Witte responded that he and Mr. Baxter were aware that most bond rating companies suggest 15%, but they felt that with the current budget situation, if there is a need to try and find ways to fund a \$4 million hole, the 9% - 13% allows for some flexibility. Mr. Baxter commented that percentages depend on the size of the town and their fund balances. Some towns have 5% as a low – but they have larger fund balances. It was noted that it was difficult to find specifics for other towns.

Mr. Fitzgerald asked if what the impact might be on the town's bond rating when using a range. Mr. Witte replied that the policy only accounts for a small percentage in the overall rating process; but they like to see that a policy exists. Mr. Tuxbury thought it best to use percentage and not dollar amount. Mr. Fitzgerald questioned if there needed to be a distinction between fund balance and unassigned fund balance. Mr. Witte replied that it was purposefully left vague.

Mr. Witte commented that when the town had a higher fund balance (15%), the residents thought they were being overtaxed; therefore the Board of Finance deliberately began to draw from fund balance to bring it down to a more tolerable percentage.

Unanimous.

Chairman Fitzgerald thanked Mr. Witte and Mr. Baxter for taking on this assignment and completing it in such short order.

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

No need for this item, already addressed during First Selectman's report

Possible request from the First Selectman regarding capital expenditure:

No need for this item, already addressed during First Selectman's report

Discuss and take any action regarding final line item transfers for consideration and approval by the BOF for the fiscal year July 1, 2017 to date:

No requests

2017 –2018 New Hartford Budget: discuss (all aspects – Town, Schools, Capital, Revenue, etc.) and take any action on the proposed 2017-2018 budget:

a.) Discuss and take any action on approving the 2017-2018 budget, its timeline, and sending the budget to the Board of Selectmen for the Town Meeting, where the 2017-2018 Budget will be subject to approval by the legislative body at a referendum

b.) Discuss and take any action regarding approval of “C.G.S. 7-344, Reprot on Budget Summary for th Town of New Hartford” for publication in a local newspaper in accordance with C.G.S. 7-344

Chairman Fitzgerald stated that there was no need to discuss these items as the budget is not ready for approval due to the lack of a State budget.

Member Moore asked the Chairman if it would be possible to circle back to the WPCA \$40,000 item and discuss as a one-time need for emergency repairs rather than a capital expense. Ms. Moore asked if the Board of Finance would consider helping if this was an emergency. First Selectman Jerram replied that it is an emergency. Ms. Moore asked again if the Board would discuss this, noting that “it is my water and I am protective of my water.” Member Witte replied that the Board of Selectmen has the right to create a budget that includes this expense. Ms. Moore asked, “are you saying that the Board of Selectmen has the right to go ahead and spend that money?” Mr. Jerram replied that they do, but he was trying not to force the issue, he would prefer to work with the Board of Finance. Ms. Moore commented that if the expense is not popular with the Finance Board members to leave it in the budget, would they be willing to authorize the expenditure to go to a town meeting. Chairman Fitzgerald remarked that he was in agreement with member Tuxbury that this should be a special assessment to the users, not a town expense. Member Moore countered that she would like to see it go to a Town Meeting. First Selectman Jerram clarified that there had been guidance received from town counsel that the interim budget is in the control of the Board of Selectmen and they can authorize expenditures. Member Tuxbury reiterated his opinion that the WPCA has the ability to raise the funds through a special assessment; he encouraged them to do what they need to do to get it done. He asked Mr. Jerram what had happened to the possibility of selling the assets. Mr. Jerram replied that they had just authorized the release of the Request for Proposals for the sale of the assets.

MOTION; by Smith to adjourn at 8:30 PM; seconded by Tuxbury.

Unanimous.

Respectfully Submitted,

*Christine Hayward, Administrative Assistant
substitute for Recording Secretary Penny Miller*