

**Board of Finance
Special Meeting
Wednesday, September 20, 2017
Minutes**

Present: Chairman Jim Fitzgerald; Members: Reggie Smith, Steven Tuxbury, Dan Charest, Ben Witte, Bart Baxter; Alternate Member Bob Nilsson;

Others Present: First Selectman Dan Jerram, Selectman Laura Garay, Bookkeeper Annie Witte, Treasurer Gordon Ross; Superintendent of Schools Brian Murphy; Members of the Public Bob Howson, Aulay Carlson; Member of the Press Kathryn Boughton; Administrative Assistant Christine Hayward.

Chairman Fitzgerald called the meeting to order at 7:02 PM.

Seating of Alternates:

All regular members present. No alternates seated.

Approval of Minutes:

MOTION: by Tuxbury to approve the minutes of the August 8, 2017, Regular Meeting as presented; seconded by Charest.

Unanimous.

MOTION: by Witte to approve the minutes of the August 28, 2017, Special Meeting as presented; seconded by Charest.

Unanimous.

Reports:

(a) Bookkeepers Report: Town Bookkeeper Annie Witte presented the fiscal year to date expenditure and revenue reports in addition to the 2016-2017 fiscal year end final expenditure and revenue report. She noted that the fiscal year 2016-2017 ended with \$110,466.00 in surplus revenue and the expenditures were \$209,240.00 underspent to budget. This adds to a \$319,706 total surplus for the fiscal year 2016-2017. She explained that these are unaudited figures as the audit has not been completed yet. Member Smith questioned the Fund balance figure presented on the Revenue sheet that was distributed to the Board; noting that the figure shown is \$3,926,144.00 as of 6/30/16; he asked if this was the "corrected figure" or the incorrect figure that had originally been inserted into the audit by the auditors and was later brought to their attention. Ms. Witte replied that she took the figure from page 11 of the audit report.

There were no questions regarding the fiscal year-to- date data.

Ms. Witte distributed the proposed line item transfers for the fiscal year end 6/30/17. She indicated that top half of the document showed the line item transfers as proposed in May that had not been approved and these remained on the list as well as additional transfers that need to be completed in

order to zero out line items. Member Tuxbury stated that the line items are listed as if they have been already approved. Mrs. Witte replied that it does not matter if they have been formally approved or not, the funds have been spent. She noted that no department was over expended, therefore, all line item transfers remain within their department. She further stated that if the transfers as shown are not approved, it would just mean that a different line item would need to be used to cover the expense. She repeated that line item transfers are an accounting procedure used to zero out line items. Some line items in a department are underspent and some are overspent, but all departments are within their budgeted amount. Transferring expenditures within a department is what is needed in order to be able to zero out line items. She highlighted the departments that had surplus and were underspent for the fiscal year.

Chairman Fitzgerald asked that the discussion of line item transfers be tabled at this point and be re-addressed later in the meeting as there is an agenda item specifically for that purpose. He requested that the First Selectman present his report to the Board.

(b) First Selectman's Report: First Selectman Jerram clarified that the 6/30/16 Fund Balance amount listed on the revenue sheet that Ms. Witte had distributed was an incorrect figure. He noted that the audit report had contained an error (as Mr. Smith had earlier noted) and this was supposed to have been corrected by the auditor. He stated that it appears that they did correct some of the pages that had errors, but that page 11 apparently was not corrected. He stated that the 2016 fund balance figure should be \$2,825,156.00 which would then mean that the total fund balance (unaudited) as of 6/30/17 would be \$3,144,862.00.

He continued with his report, informing the Board of Finance that all union negotiations had been completed and all contracts have been formally accepted. The police contract and the highway contract mirror the NAGE – Town Hall employee's contract. Wage increases for all unions average 2.75% over the next 3 years and all unions will see an increase in their health care premium share.

Steele Road paving will be the next large project and will begin the week of September 25.

The MS4 Stormwater permit is being completed and is almost ready to file with the Department of Energy and Environmental Protection (DEEP). The public document is almost ready to post, as is required.

Mr. Jerram complimented the Tax Collector on the job she does in following up on delinquent tax accounts. He stated that a \$110,000 surplus revenue in prior taxes is due to her hard work and her commitment to holding tax sales. He noted that notice of a property going to a tax sale often results in people paying their overdue taxes.

At this point in the updates, Chairman Fitzgerald returned to the topic of the union contracts; asking Mr. Jerram to repeat the percentage of wage increases that had been agreed to in the negotiations. He asked "why do we keep passing these increases?" Mr. Jerram replied that members of these town unions, the lowest paid municipal employees, see the increases afforded to the teacher unions, both locally and at regional and they expect to be compensated to the same degree. Mr. Fitzgerald retorted, "someone needs to put their foot down, What can we do as a Town to stop this?" He added, "this is money coming out of the general taxpayers, we need to stop hitting the taxpayers." Mr. Fitzgerald

commented that there are lots of unions that are not getting any increases in pay and that these increases need to stop. Alternate member Nilsson agreed. Member Charest asked the First Selectman if he knew what the dollar amount of a wage increase for these union employees amounted to. Mr. Jerram replied that he did not have that figure available at the moment. Mr. Fitzgerald requested that the union contracts be sent electronically to the Board members for their review.

First Selectman Jerram continued with his report. He reviewed the end of the fiscal year unaudited expenditures, commenting that \$209,240.00 in underspending does not happen by accident. He stated that it occurs by being careful with expenditures. He credited his employees in all departments for supporting his requests to be frugal with expenses.

He informed the Finance Board that he and Treasurer Ross have been preparing for refinancing of the Bond Anticipation Notes. A credit rating will be done again by an outside agency. Mr. Jerram stated that during the last credit rating, questions were asked regarding a fund balance policy; noting that he had come before the Board to ask them to establish such a policy. To date, no such policy exists. Chairman Fitzgerald replied that the Board had made the decision at the time not to create such a policy because they felt it would “pigeon-hole” them in a difficult budget year. A brief discussion regarding establishing such a policy ensued. The question of “should there be a percentage of fund balance to budget established or should there be a fund that is ‘locked away’ and not used?” was tossed around.

Treasurer Gordon Ross stated that a policy is an “indication of intent” and noted that the policy could be one that is reviewed periodically and changed as needed. He stated that the purpose of a policy is to show that there is a goal or objective with respect to fund balance. Member Witte suggested that a subcommittee be established to look at and perhaps develop a policy for consideration by the rest of the Board. Member Baxter agreed and added that it would seem that this needs to be looked at now since it is timely with respect to an impending credit rating. Member Smith stated that he was in favor of having a committee develop a policy and then have the Board look at it at the next Board of Finance meeting so that there could be a level of comfort for the rating agencies. Chairman Fitzgerald asked Mr. Witte if he would like to be on such a committee; to which Mr. Witte replied in the affirmative. Member Baxter volunteered to work with Mr. Witte to present something for consideration at the next meeting.

Mr. Jerram continued with his report. He informed the Board that the Public Offering Statement (POS) had been updated as needed for this next round of financing.

A Special Town Meeting was just held where there were several ordinances adopted. He noted that the Elderly Tax Abatement Ordinance was approved. He stated that he had a copy of the report that was filed with the Town Clerk which had been completed by the Ad-Hoc subcommittee formed to review and recommend such an ordinance. He noted that there was no action required on the part of the Board of Finance to approve such a program prior to taking it to Town Meeting for adoption. He presented a copy of the report to be attached to these minutes.

Mr. Jerram commented that there is a Bi-Partisan Budget that has been approved by the State and that if that budget stands, the repercussions to New Hartford may not be as devastating as what was once anticipated. As it stands now, it would appear to be an estimated 2.8% /2.9% tax increase to residents. The oil separator tank project is in progress at the town garage. Mr. Jerram described the problem with

the garage floor that needed to be rectified. The pitch of the floor was problematic. The existing vehicle lift had to be removed in order to fix the pitch of the floor. Upon removal and close inspection, it has been determined that the lift is not suitable for use any longer. It will not be re-certified. It is not properly rated to be used for the majority of the fleet. Jerram has been investigating other options for lifts. He is not ready to make a formal request for funding because he has not completed his investigation into options and costs. He is currently considering a mobile column lift; this has “4 legs” and each leg is capable of a load of 13,000 pounds. It locks in place for stability; but is not permanently affixed to the building. This allows the flexibility of moving it to another location if, at some point in the future, a different garage is used. Prices range from \$30,860.00 to \$32,000 at this point, with one other option not yet reviewed. Jerram stated that he had also looked at leasing -- however, that option was quoted at \$2500.00 per month; which does not seem to be cost-effective.

Member Nilsson asked if purchasing a lift would then allow for all of the maintenance to be done in-house. Jerram replied that it would help to keep a lot of it in-house, but there are some catastrophic failures that would not be able to be done by the mechanic and there would continue to be a need to send some trucks out for repairs. Member Baxter questioned what the costs are of sending out trucks for maintenance. Jerram replied that there are some very large expenditures associated with truck repairs and that there are significant savings that can occur with in-house maintenance where possible. Mr. Jerram stated that having a lift can be beneficial and asked Mr. Tuxbury “What does Tilcon do with their trucks, how do they perform repairs?” Member Tuxbury replied “Tilcon does not lift trucks” Jerram asked, “then how do they do their maintenance?” Tuxbury replied, “they crawl under them, jack them up.”

Chairman Fitzgerald questioned who does the maintenance internally, saying, “these are our DPW guys, are they dedicated mechanics?” Mr. Jerram replied that there is a mechanic on the crew. Member Witte stated that rather than holding a debate regarding operational benefits of a lift, it would make sense to look at the estimated return of such an item --- “how does it pay for itself?” The discussion ended at this point.

(c) Treasurers Report – Gordon Ross presented data with respect to account balances. He informed the Board that he recently purchased a Certificate of Deposit that will earn 1% interest and has a 1 month rollover. This CD also has liquidity without penalty in the event that it needs to be redeemed. He noted that he is working hard at trying to make money for the town. He pointed out the interest that has been earned as a result of the Platinum Money Market.

Mr. Ross stated that he will be meeting with the town financial advisor and they will be discussing a timeline for refinancing/bonding. He stated that the bond will be just shy of \$4 million and will include the school and the bridge. Member Smith asked what the status of Carpenter Road Bridge is. First Selectman Jerram replied that the town has retained an attorney to deal with the contractor. Mr. Fitzgerald asked if this is an indication that the contractor is not coming back and questioned if that means that additional expenses will be incurred due to the arrangement in place with the landowner who is an abutter to the bridge project. Jerram replied that there are currently no additional expenses, just the agreement that has been in place and added that, liquidated damages, if pursued, would far exceed the payment to the abutter. Mr. Fitzgerald asked when will the project go forward and wanted

to know if this will go into next year, stating that “we are into this for quite a bit of money.” Mr. Jerram replied that he was limiting his public commentary and would be willing to entertain an Executive Session at the next Board of Selectmen meeting if any member of the Board of Finance was interested.

IV. Possible request from the First Selectman regarding capital expenditure:

Chairman Fitzgerald announced that this item would be removed from the agenda since Mr. Jerram had just stated that he was not yet ready to make a formal request for financing.

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

Chairman Fitzgerald asked Bookkeeper Witte to come forward again and review the proposed line item transfers. Ms. Witte reiterated her earlier explanation that the top half of the document lists transfers that have been pending formal approval since May. Mr. Fitzgerald clarified that there was a vote in May; the transfers were rejected. He noted that the transfers included transferring funds from operations to capital in order to purchase a police car and that it was specifically voted down. Mr. Fitzgerald asked, “Are we still trying to buy another vehicle?” First Selectman Jerram answered that “we still need to replace a police car.” The Board could choose to use the surplus that is available now so as not to impact taxes. Chairman Fitzgerald stated that he would prefer to see a document showing line item transfers that did not include the transfer of funds to purchase a police vehicle. Member Smith stated that he felt it would be best to see what revenues the Town would be receiving this year before agreeing to support a line item transfer that allowed for purchase of a police car. Discussion ensued regarding how best to proceed with taking action on any of the line item transfers. Mr. Fitzgerald continued to express his concern that the document entitled “Proposed line item transfers” showed funds being transferred for a police car. Ms. Witte replied that the Board could approve the transfers without the police vehicle expense and back out the \$44,063.50 from the total and have the minutes reflect that action. Fitzgerald commented that they could wait until the October meeting to approve the transfers when a revised document without the police car could be available for consideration. Ms. Witte noted that the auditors would be onsite the following week and it would be advantageous to have the line item transfers completed so that the books could be closed. Mr. Tuxbury commented that “we should be approving the transfers before the funds are expended; my position remains the same on that.” He added that he thought the Board of Finance had been told throughout the year that there were no over expended line items and therefore was surprised at the transfer list.

MOTION: by Witte to accept the Line Item Transfers as proposed/presented with the exception of \$44,063.50 of transfer to other funds (capital) for vehicle replacement; seconded by Smith.

Member Charest questioned the status of the police car – was it included in the capital plan for 2017-2018. Jerram replied, “no, it was cut.”

In Favor: Smith, Charest, Baxter, Witte

Opposed: Fitzgerald, Tuxbury

MOTION passes, Line item transfers approved with exception as noted in the motion.

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

Chairman Fitzgerald stated that there is no state budget and that this item could be carried over to the regular Board of Finance meeting in October. Witte and Smith agreed that there was no point in having a discussion on this and it could wait.

Item VII. 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 Selectmen for the Town Meeting, where the 2017-2018 Budget will be subject to approval by the legislative body at a referendum.....

Chairman Fitzgerald reiterated that due to the lack of an approved state budget, this agenda item would be carried over to the next regular meeting of the Board of Finance.

Item VIII. If as of the date of this Special Board of Finance Meeting of September 20, 2017, the State budget is not approved and consequently absent of New Hartford's combined General Town Government and Local Board of Education budget as of September 20, 2017, the Board of Finance may, with the First Selectman, discuss and take any action regarding expenditure requests and authorizations for the month of October 2017 (Fiscal Year July 1, 2017 to June 30, 2018):

Chairman Fitzgerald asked First Selectman, "is there anything we need to do?" Mr. Jerram replied that there was no need to make any requests – everything was on target. The Board of Ed and the general government budget have been proceeding with caution. Superintendent Murphy indicated to Mr. Jerram that the BOE has been doing some holding back with some of their expenditures. Hopefully, there will be a budget in October so that everyone can move forward. Member Charest asked if the ECS payment generally comes in October and could that be where there will be a hit? Jerram replied that the numbers of the proposed state budget look good, if it comes through; but noted that nothing is certain at this point.

Member Tuxbury asked how much time is going to be needed to be able to see Revenue come in when it will be needed. Jerram answered that there will need to be revenue in January and if you work backwards to determine the timeline, it is his opinion that there needs to be an adopted budget by mid-October. This would allow for the proper time to go through public hearing (which he felt would be necessary if the approved budget is significantly different than the one that was presented back in April) and then continue with the rest of the budget approval process.

MOTION: by Smith to adjourn at 8:20 PM; seconded by Baxter.

Unanimous

Respectfully Submitted,
Christine Hayward, Administrative Assistant
Substitute for Board of Finance Recording Secretary Penny Miller