

TOWN OF LITCHFIELD BOARD OF SELECTMEN

August 12, 2013

Selectmen's Meeting

Members Present: John R. Brunelle, Chairman
Frank Byron, Vice Chairman
Brent Lemire
Kevin C. Bourque

Absent: M. Patricia Jewett - excused

Also Present: Jason Hoch, Town Administrator

5:00 p.m. Paperwork review

6:00 p.m. Call to Order

Pledge of Allegiance

Review of Items for Consent:

1. Minutes of July 22
2. Approval of Accounts Payable (\$53,102.24) & Payroll (\$43,122.58) week of July 29
3. Approval of Accounts Payable (\$52,451.66) & Payroll (\$42,703.84) week of August 5
4. Approval of Accounts Payable (\$1,660,955.78) & Payroll (\$44,006.75) week of August 12
5. Prospective approval of Accounts Payable & Payroll weeks of August 19
6. Closure of Heritage subaccount
7. Hamel Circle Construction Bond acceptance
8. Tanager Way acceptance

Approval of Consent Items

Selectman J. Brunelle reads aloud the items for consent

Selectman F. Byron **motioned** for the Board of Selectmen to approve the items for consent

Selectman K. Bourque **seconds** the motion. **Vote carries 3-0-1.**

Request for Items - Other Business

Selectman J. Brunelle makes an announcement to inform the public that there is now an online website <https://sites.google.com/a/litchfieldnh.gov/bos20130812/> that can be accessed from the Town website at the bottom of the agenda page for the current meeting.

Selectman F. Byron would like to discuss the opinions of Town Counsel regarding the usage of Impact Fees.

Public Input:

John Latsha, 10 McElwain Drive, Vice Chairman for the Mosquito Control District Committee. Mr. Latsha states that the Committee's mission is to prevent mosquito illness such as EEE, and West Nile Virus as well as tick diseases. Due to the recent positive testing of these diseases in Vermont, Massachusetts and Connecticut, as well as in New Hampshire in Pelham, Sandown, and Manchester, Mr. Latsha would like to remind the public to please take precautions with their families and areas around their home. Use bug spray containing Deet and follow any recommended instructions on label. For homes, repair any holes in screens, clean out gutters, cover unused pools (can infest a whole neighborhood), empty anything around the home that contains water. If any questions or concerns please contact the Mosquito District or Health Officer Kevin Lynch at the Town Hall (603) 424-4046.

Public Input Closed**2012 Audit Presentation**

Administrator J. Hoch introduces Frank Biron and Erica Lussier accountants from Melanson Heath & Company, who are here to present the 2012 Audit results to the Board of Selectmen. Frank Biron states that Erica will be highlighting the Financial Statements and discussing the Management Letter and some of the Firms recommendations for the Town.

Erica Lussier states that she was the supervising auditor for Litchfield this year. Starts by addressing the Independent Auditors Report which presents an opinion on the Financial Statements, she tells the Board that for 2012 the Town had a "clean" opinion, which is the best opinion that can be had. She address the sections in the report called Management Responsibilities and Auditors Responsibilities, feels it is important that the Board look over this to know who is responsible for what. She would like to address the numbers section of the Report and has the Board turn to page 9. This is the Statement of Net Position, this consolidates all of the Towns funds into one column of Governmental Activities and is reported on an accrual basis of accounting. It records the long term assets and liabilities. She states that there are Capital Assets, which include the Town buildings, land, equipment and infrastructure. Also in looking at the Liabilities and Capital Lease sections, what you will not see that other Communities have is a Bonds Payable section because the Town does not have any long term debt, which is favorable. She would like to address page 11, Erica states that under the General Fund the Town has a strong Fund Balance, which shows cash and short term investments of \$5,456,322. She mentions that this appears to be a large number however, if you look down the page to Liabilities the amount is \$3,754,796 which is due to the School District from Jan - June of the following year. Erica states the the Town operates on a Calendar Year while the School operates on a Fiscal Year. Back up to the top there is an Investments column of \$198,459 this is the Town's Capital Reserve. Next number down the page is a figure of \$504,462, which are the Towns Property Taxes and she states that they are all secured. Erica states that the figures under Fund Balances, the Committed Fund Balance in the General Fund totals \$198,459 which is the Capital Reserve funds mentioned earlier. The Assigned Fund Balance totals \$194,625 which are the Encumberences that are part of the 2012 Budget that were not spent. Next is the Unassigned Fund Balance of \$1,416,426 Erica states that bond rating agencies like to see this figure

between 5-10% of the Towns total Annual Expenditures. For 2012 this was at 29%, which is very favorable. She states that the Department of Revenue looks at this figure a little differently, they compare it to the Town's Gross Appropriation, which includes Town, School and County which they like to see between 8-17%, and the Town of Litchfield is at 11%, which again is a very strong Fund Balance.

Erica has the Board look at page 13 in the General Fund column to the amount of \$8,695, which is the change in Fund Balance or Net Income. She states that this does not look like a large number but if the Board looks on page 15 she will explain why it is a good thing. Erica states that this is General Fund Budget vs the Actual Budget which does not include the Capital Reserve Funds. She states that the Original Budget and Final Budget are identical which means the Town started with the same amount it ended with. If you look at the Actual Budget column the number of \$202,378 is the Fund Balance the Town used as a revenue source during the year. If you move to the Final Budget column there is a figure of 149,730 which is the revenue surplus, this is how much the Town beat the Budget by. If you go to the end of the expenditure section you will see \$46,711 she states this is the amount the Departments did not spend or encumber at the end of the year also know as Departmental Turnbacks. Erica states that this means the Town operated under a pretty tight Budget last year. Finally if you got to the bottom number of \$196,441 which is overall how much the Town beat the Budget by. However, this is offset by the Use of Fund Balance of \$202,378, so it was pretty much a break even year. In summary Erica states the the Town has a strong Fund Balance, there was a Revenue Surplus and Departmental Turnbacks, there are no Bonds on the books which put the Town in a favorable financial position and there was a clean opinion from the Firm.

Selectman F. Byron states that the Town has an Unassigned Fund Balance of \$1,416,426 which is at 11%, and would like to know if the Town should spend some of this fund in the upcoming budget.

Auditor Frank Biron states that whenever you use Fund Balance money you need to be careful; last year the Town used approximately \$200,000 and made up \$200,000, he feels you could probably use this amount or a little more. He states that over the last 5 years it has ranged around \$1 million to \$1.1 million, now being at \$1.4 there is a little room to use Funds.

Selectman F. Byron states that he would like the Board to take a close look at the Fund Balance and possibly use some to offset taxes for the citizens of the Town. He states that somewhere is the right number he does not know where that amount is yet, but somewhere is the right amount to use. The Board will discuss this use at a later date.

Erica moves on to the Management Letter, she states that part of doing an audit is not only looking at the numbers, but also the internal controls and procedures to see if they are operating effectively. The Management Letter indicates areas where they feel that improvements can be made to strengthen internal controls and operating deficiencies. She would like to state that there were no material weaknesses or significant deficiencies, which would show a breakdown of internal control. As far as the section on Prior Year's Issues, she would like to commend the Town for addressing and clearing up the request in the prior years Management Letter. Erica states that the only item that remains is the research of tax deeded properties, in the General Ledger there are about \$21,000 of tax deeded property that there is not a list to support, which needs to be reconciled with the General Ledger.

Selectman F. Byron asks for Erica to elaborate on this issue, he is not sure what she is asking for.

Erica states that this is list that needs to be constructed of properties that have been deeded, and then attaching a value as to what they should be and recording it in the General Ledger.

J. Hoch states that these are historically deeded properties that go way back, and it will take time to try and research this information, if it is even still available. This could be just a handful of properties that need to be researched however, no one knows how far back it goes. It may be in Town reports or old Tax Collector's documents.

Selectman F. Byron asks if the Town is unable to construct those records what will happen.

Auditor Frank Biron states that at some point it will be written off on the books.

Erica states that the other Current Year Issue is to require dual signatures on Cash

Reconciliations, they need to be signed off on by the preparer and the reviewer. Next item is to provide Accountant (this would be Karen White) access to all Departmental Turnover Forms.

Also it is recommended that an Employee Action Form be prepared and maintained for each employee's permanent file that documents what pay rate they are receiving. Next would be to

prepare the Treasures MS9 and MS10 reports more accurately, the information on the forms were switched, also the beginning and end balances did not match. The Board states that this

was the Trustee of Trust Funds and it has been taken care of and corrected. Erica states that

the next item is to establish the Aaron Cutler Memorial Trust Fund nonexpendable portion, which it currently does not have.

Erica would like to thank the Town and its Departments, she found everyone very helpful and a pleasure to work with. This helped to create a very smooth audit process. She also states that

this was Karen's first year in her position and her first time being audited and she did a wonderful job and had a willingness to learn and ask questions.

The Board thanks the Auditors for their time

Selectman J. Brunelle states that the documents will be available for the public to view on the website.

Administrator Report

New Business

Highway Block Grant

Administrator J. Hoch states that he received a letter from NHDOT estimating the Highway Block Grant Funds for the Fiscal Year 2014 to be at \$170,964.83. This is approximately \$1,100 more than last year's estimate. However, he mentions that this year's adjusted amount is about \$500 less than anticipated. Jason states that the Town use to receive this report based on a calendar year, which suited our budgeting process. However, now it is based on the State's Fiscal Year making it a little more challenging to be precise in budgeting. Administrator Hoch states he will be estimating a Gross Appropriation of \$170,500 for 2014.

Primex Workers Compensation

Administrator J. Hoch mentions he forwarded documents to the Board relating to the Towns renewal of the Workers Compensation program with Primex. Jason states that by participating in the CAP (Contribution Assurance Program), the maximum increase for future renewals would

be 8% in years 2014,2015 and 2016.

Jason states that in February there were concerns regarding a long list of requirements from Primex that the Board felt were not related to the Workers Compensation program, he tells the Board those issues are not present this time. Also at the time, the price was almost identical to LGC's quote. However Jason states the tipping point is the return of surplus that the Town receives from Primex. It amounts to nearly ½ of the approximate \$55,000 bill the Town was issued for Workers Compensation this year. Jason mentions this is a strong incentive to remain with the company, as the Town would no longer be eligible for prior year surplus if it is no longer an active customer.

Jason also states that the Towns rates are discounted with Primex due to the Prime3 Certification which the Joint Loss Management Committee achieved and maintains (they are filing this year's update now). Jason recommends entering into the CAP agreement with Primex, and the Board approve the attached resolution.

Selectman F. Byron disagrees, he states that the three year rate with no increase higher than 8% is a meaningless number for Primex to easily work within. His research shows there has never been an increase of 8%. Selectman F. Byron also feels there is no benefit for the Town by locking into a three year contract.

Selectman K. Bourque asks J. Hoch what the largest increase has been in the past.

Administrator J. Hoch states that he will have to check his records and get back to the Board with an answer.

Selectman F. Byron states that the Town will lose flexibility by locking into a three year contract if for any reason the Town wishes to leave Primex, and there are no benefits to the Town if they do so.

Administrator J. Hoch mentions that a losing a \$25,000 Surplus Return versus a possible \$4,000 increase would be hard to walk away from.

Discussion continued with the decision being made to gather more information regarding prior rate increases, as well as checking with Primex regarding what exactly is covered by this cap if an accident should occur. Forwarding this information to the Board to look over and adding this back on the Board of Selectmen's agenda for August 26.

Replacement of Fuel Facility

Administrator J. Hoch states the the current gas facility at the Highway Department has proven to be very successful. He has been advised that at the time of it's installation it was a quick solution to a growing problem of sending vehicles out of town. Over the past several years, there have been users added and all the Town gasoline fueling is now centralized there. Jason mentions that during its original construction, storage on site was constrained by an overall site limit due to the Incinerator's fuel storage being included. Now the fuel storage from the Incinerator has been removed. Mr. Pinciario the Road Agent has been working with the other users to design a more permanent facility that can serve the Highway, Police, Fire, School and Building Departments effectively and allow for more storage on site. Jason, states that currently with the number of users, there are more frequent tank fillings required and if there are any unusual circumstances for the Town's uses or deliveries there is the possibility of running out of fuel.

J. Hoch tells the Board that the plan is for two tanks (since the Town already owns two - one on site and one that will be moved from the Fire Department). These tanks will be mounted on a concrete slab with central wiring and a central pump system. The base will be paved and allow access on both sides. The facility will be covered with a roof - which will have a basic four post corners and have fiberglass panels. The existing key system will be reused (looked into a more sophisticated tracking system which had a cost of more than \$10,000 - which was hard to justify any benefit to that expense). Jason states that Jack and Kevin are still finalizing number and designs, and anticipate the expense to be around \$20,000 - \$25,000.

Mr. Pinciario tells that Board he feels the base amount to be around \$8,000 to \$10,000, but they need an explosive proof key box which they are still pricing. He states that the backup generator and wiring will be a warrant article.

Jason states that the plan is to use Impact Fees. He suggests that the charges will be allocated proportionally to the Highway, School, Fire and Police Impact Fees.

His note to Counsel was that through 2009 the Town had limited fueling setups for various Departments. The Fire Department added a small gas tank at the station around 2007. About the same time the Police Department fueled in Hudson (a good 30 minutes round trip) and the Highway Department filled up at retail gas stations. Around 2009, a fuel facility was pieced together at the Highway Department to cover the Police and Highway Departments needs, at the time it was seen as a temporary solution. J. Hoch mentions that since that time, the Highway Department has added two vehicles to its fleet, the Fire Department has discontinued its temporary solution at the Fire Station and uses the central facility (and has added two additional vehicles) and the Police Department obtains fuel for all its vehicles there as well (detail hours have increased nearly 50% from 2009 to 2012). Last year the School Maintenance and their fuel needs were added (mainly for lawn mowing equipment). Now that the Town has centralized fuel use in one location, it has exceeded the capacity of the original setup and are working on plans for a larger permanent facility that can serve all of these users. The facility is to be housed at the Highway Department. This leads to the question - Is this an appropriate use of Impact Fees? Can those fees be used to cover the entire cost? If it is appropriate, can it be funded totally from fees by the Highway Department since it is located there? Or should some sort of formula be applied to allocate it among the various Department users?

Jason tells the Board that Town Counsel states that for the new gas pump, the Impact Fees may be used to pay for this, and the money should be taken from all of the Departments who will be using the facility (School, Highway, Fire and Police) in proportion to the money each get from the Impact Fees. So if each received 10% of the Impact Fees, each would pay for the gas pump equally.

Selectman F. Byron states that he has several issues on this matter. First, there is only one road entering the facility, he asks if there is a way to open this up for another exit in case of an emergency. Mr. Pinciario states that there is an exit in the back, there would not be a problem if an emergency happened.

Selectman F. Byron states that he does not have a problem with the need for the expansion, feels it is a need for the Town. However, his concern is with how the Town is paying for this. He disagrees with Counsel's opinion to allow the use of Impact Fees, he feels she did not understand correctly what Jason was talking about or asking of her. He states that you cannot

pay again for something that already exists with Impact Fees. Only expansions due to Town growth, and this is not 100% an expansion due to growth. Also he feels you cannot take Impact Fee money by proportion from each Department. Also, the money that is put in Impact Fee accounts is designated for certain uses and this project is not what the money is set aside for. Jason states that he agrees this project is not starting from scratch and the tanks and some equipment are being reused. He also agrees that the proportion formula for payment ends up with the School having the largest portion, and having the smallest usage. So he feels it should be formulated more on usage which would be Police and Highway. So he will work out a formula based on usage for each Department.

Selectman J. Brunelle states that the paperwork shared shows a figure of \$20,000 to \$25,000, however, Mr. Pinciario stated a figure of \$8,000 to \$10,000. Which is the projected figure to complete this project. Mr. Pinciario states that he feels it comes down to the explosive box and feels it will come in at a cheaper price than expected, but is still waiting on exact figures.

Selectman B. Lemire asks if there are any alternative funding options for this project if Impact Fees are not used. Jason states the only alternative would be to find allocated funds from each Department if possible.

Selectman F. Byron states that Impact fees are for specific uses and nowhere has it been mentioned to allocate the money for fuel expansion in any of the accounts. Impact fees are not an open basket to be used by any Department for any project they wish. He cannot believe that Counsel understands and agrees with this decision, and if so he would like to know why the Town needs a Capital Improvement Plan. He feels that this discussion needs to continue with Counsel and that the figures for the project have to be confirmed.

The Board is in agreement of the need for the expansion. However, continue to discuss options for funding the project.

Selectman B. Lemire makes a **motion** that the Town spends Impact Fees not to exceed \$20,000 and appropriate a dollar amount due to usage to each Department, pending a second clarification to questions asked of Counsel regarding if this is a proper use of Impact Fees.

Selectman J. Brunelle **seconds** the motion.

Selectman F. Byron states he feels this is a wrong decision by the Board, and it will open up a whole can of legal problems for the Town if this is approved before answers are given by Counsel. **Vote Carries 3-1-0.**

Board makes a decision to have Jason draft a letter to Counsel asking more specific questions regarding usage of the Impact Fees and its reflection on the current CIP.

Selectman F. Byron asks J. Hoch to run his letter to Counsel by him and he would be glad to insert his questions to make sure they are adequately stated.

Selectman J. Brunelle states that Selectman F. Byron should draft the letter himself to assure his questions will be answered correctly.

Selectman F. Byron wishes for Administrator Hoch to forward the letter to Counsel.

Selectman J. Brunelle states that he would like J. Hoch to copy his letter to the Board, and if they wish to add anything to contact him or Jason.

Old Business

Pennichuck Rate Case

Administrator J. Hoch reviewed comments made by the Board, and materials associated with the rate filing regarding this case. He tells the Board that nothing is immediately apparent to him as grounds to specifically object or intervene at this point. Jason asks if anyone has found an area that concerns them or that they recommend exploring further.

Selectman J. Brunelle states that the documents have been filed on behalf of the Town to be apart of any future action in this case.

J. Hoch states that Counsel has filed intervenor paperwork. If the Town has an issue with the Temporary Rates (TR), discovery would need to be filed by August 21. Permanent Rates (PR) have a discovery filing of November 21. If there is nothing that rises to the discovery level, as an intervenor, the Town would need to submit any comments and testimony by April 24, 2014.

Selectman F. Byron asks what are other intervening Towns doing at this point.

Administrator J. Hoch states that he will take a look, but believes no one has filed any paperwork as an intervenor at this point.

The Board decides to take no action at this time.

Ambulance Agreement With Hudson

J. Hoch tells the Board there were some changes to documents after consulting with the Town's Insurer and Counsel, he is waiting on those documents. Board decides to table this discussion at this time and continue it at the next meeting on August 26.

Route 102

Administrator J. Hoch states that NRPC completed the traffic counts between July 14 and July 21 on Route 102 east of Woodburn. He mentions that the DOT standard would be to include a speed study and the posted speed limit is recommended to be consistent with the 85th percentile speed of free flowing traffic.

J. Hoch states the study found the average speed to be 44 mph northbound, with the 85th percentile being 51 mph. Southbound the average speed was 45 mph, with the 85th percentile being at 53 mph. So according to the data the current speed limit is appropriate. He has attached all the data from NRPC for the Board to review. Jason has scheduled another traffic count for after school opens in September to see if the overall numbers change, as summer there is less traffic on this road.

Stormwater Permit Comments

J. Hoch states he has shared paperwork regarding the permits, there were a few technical points he flagged for the Board to look at. Jason is waiting on a response to the comments submitted.

Water District

Administrator J. Hoch states he spoke with the Towns representative, Raymond Peeples after the Board's last meeting. Mr. Peeples had no updates he was going to see if he could get any

more information, but still has no updates as of yet.

Other Items

Library Impact Fee Usage

J. Hoch states that he received a question in reference to an item in the AP manifest two weeks ago involving the Library's use of impact fees for replacing a sign as part of the overall fence project. He states the question asked was if this was a reasonable use of Impact Fees. Jason forwarded the Library's request and question to Counsel.

The fencing that was approved obstructed the Library's sign, it could no longer be seen. So a new sign was added that could be viewed with the new fencing. So it was asked if this was part of the project or a new project which would be subject to a different eligibility for funding. Also there was lighting added to this sign, however, that was paid for with other funds.

Jason states that the response back from Counsel was that as far as the Library sign it could be argued either way. The sign itself if not part of expanded growth, however, the relocation of the sign due to the fencing being installed as a part of growth is acceptable. Therefore, Counsel feels the use of the Impact Fees is appropriate.

Selectman J. Brunelle asks if the sign request exceeded the amount that was asked for.

J. Hoch states no

Selectman F. Byron states that nowhere in this request was a sign ever mentioned, it was only for a fencing project. He disagrees with the motion and use of Impact Fees for fencing or a sign. The Board discusses that Counsel agreed with the usage of money spent and the work has been completed, there is no further action to be taken.

Other Business

Selectman F. Byron would like to get a clear response and working document from Town Counsel regarding the use of Impact Fees.

Selectman J. Brunelle states that he feels the CIP is obsolete so he would like Jason to ask Counsel for a clear set of guidelines for the usage of Impact Fees as well. He would also like it to be broken down within Departments.

Items Moved From Consent

No Items Moved

Selectman Reports

Selectman B. Lemire asks Selectman F. Byron if he had any update on from the Police Union meeting. Selectman F. Byron states no.

Selectman F. Byron mentions that at the meeting it was discussed that he and Selectman Lemire should be updating the Board of Selectmen regarding the status of the negotiations. He states that he has a concern regarding this, that taking negotiations outside of the Union meeting and updating the Board and public he feels could be a problem for the Union Board.

Selectman B. Lemire states that was not his intention.

Selectman B. Lemire makes a **motion** to adjourn. Selectman K. Bourque **seconds** the motion.
Vote Carries 4-0-0.

The next Board of Selectmen's meeting will be on August 26,2013 at 6:00pm at Town Hall

Approved August 26, 2013