

TOWN OF CHESTER
BOARD OF SELECTMEN

October 24, 2019
Minutes

PRESENT: Arne Jonynas; Heather Chase; Lee Gustafson; Leigh Dakin; David Pisha

VISITORS: Shawn Cunningham; Sharon Huntley; Julie Hance; Debbie Aldrich; Jeff Holden; Derek Suursoo; Cil Mathews; Bill Lindsay; Ron Smith

There were no additions or deletions to this agenda.

1. CITIZEN'S COMMENTS:

There were no citizen's comments.

2. TOWN ACCOUNTING DISCUSSION:

Ron Smith was present from RHR Smith to review the Balance Sheet with the Selectboard. He also informed the Board that he is available to come to the Town Meeting to review a Fund Balance Policy with the voters. Ron Smith stated that he would make a few changes to the drafted policy with some illustrations.

Ron Smith reviewed the Balance Sheet as of December 31. Ron Smith stated to the Board that the Balance sheet should be reviewed monthly as this is the money that carries the town through until taxes are collected. The Balance Sheet explains what you own and what you owe. The surplus as of December 31 was \$419,771. Of this surplus, 34,000 is committed to special projects leaving a balance of \$385,000. Of this \$385,000, \$56,000 was used to offset taxes in 2019. The remaining \$330,000 is unclaimed money. However, it includes delinquent tax revenue that has not yet been collected. It is accounted this way due to accrual accounting. This is not cash available to spend. The amount available for spending is around \$200,000.

Heather Chase questioned the surplus that is used to offset the budget each year. Ron Smith stated that this is a budget surplus and is generated during the budget season only and is not accumulated. The budget surplus is the difference between what was budgeted and what was spent. Ron Smith clarified that the budget surplus is not required to be given back to the voters. This should be clarified in a fund balance policy. Ron Smith further suggested a 60 day reserve for the town.

Heather Chase questioned if the total surplus changed with the change to accrual. Ron Smith confirmed that they change significantly with accrual accounting. This is everything that you own and everything that you owe. Cash accounting does not take this all into consideration.

Heather Chase discussed the debt ratio for the town. Ron Smith stated that the town's debt ratio is fine. The town is valued and rated by banking agencies based on the town's valuation. The valuation is the town's collateral. Ron Smith stated that the will talk at Town Meeting about the town's debt to equity ratio. The debt to equity ratio is low for Chester. Long Term (debt) money should always be used for infrastructure projects. If value is longer than a year, use long term debt such as a road or a building.

Ron Smith discussed a Reserve Fund. The floor of the policy should be 16% which is based on national standards. Anything over the floor should be generated by the budget surplus. This is what the policy will outline with guidance for future boards. This fund should be used for emergency infrastructure projects.

Jeff Holden questioned how water/sewer fits into this picture. Ron Smith stated that this same conversation should be had regarding water/sewer as well. The reserve for water/sewer would be separate from the general fund and should not be mixed. The same standards would apply.

Derek Suursoo questioned if the fund balance changes. Ron Smith stated that the fund balance changes every day. This is the reason for reviewing a balance sheet quarterly. This is just a snap shot on one day at the end of the year. The prior year fund balance changes as well.

Arne Jonynas questioned Ron's opinion about the town's capital plan. Ron Smith stated that the town's infrastructure was very needy. A lot of projects have been completed in the past 5 years. He also suggested that the town review how it can better fund the capital plan. He do not feel that the plan is adequate for the needs of Chester as there is not enough money compared to the needs. There needs to be a contingency plan. A policy would drive this plan. A maintenance plan is needed for the infrastructure as well.

Lee Gustafson questioned how to convince the taxpayer regarding the fund balance. Ron Smith responded that the town needs a plan to present to the voters.

Ron Smith also stated that the State allows the Selectboards to fund a reserve fund even though there is not a reserve. Ron suggested that the Board hold a public hearing about the reserve policy only prior to the town meeting. He also suggested that Chester makes its policy its own.

Lee Gustafson questioned the due to other funds line on the Balance Sheet. Ron Smith clarified that this is pooled money. This is other funds that are pooled together to help cash flow but it is dedicated to other funds.

Ron Smith shared with the Board that Chester has come a long way in the past few years.

3. EMS FINANCING PLAN:

David Pisha stated that the financing plan will include borrowing 4.8 million at 3.13% interest for 30 years. In 2024, the plan will reach its peak and will be paying \$300,000 which will decrease slightly over the remaining 30 years. David Pisha stated that he is still reviewing the capital plan to see if there are ways to reduce its payment without compromising equipment purchases. He is reviewing potential lease options for equipment such as dump trucks. The EMS/Town Garage project will cost 7.5 cents on the tax rate at its maximum. This is not a stand alone number added to the budget, it is integrated into the capital plan so that its impact is lessened over time.

Interest for 30 years is in excess of \$2 million which creates a pay back of \$7.3 million. The Board asked David to have these numbers available at the public hearing. David Pisha explained the refinancing of bonds over time and that there are times when the interest rate can go down over the 30 years.

Derek Suursoo stated that he is seeing increased capital expenses in the upcoming years. He indicated that he understands Ron's comments, but is concerned about the costs that will be associated with these changes. Heather Chase agreed with Derek but stated that there have been years where projects were kicked down the road for too long. David Pisha noted that the benefit of the capital and bond plans is that they are predictable numbers. The budget is not predictable. Lee Gustafson stated that he wants to be careful with the town's money but he also needs to be prudent about town projects and get done what needs to be done.

David Pisha talked with the Board about inflation of projects. The Board discussed the balancing of spending money today to save tomorrow.

4. TOWN MANAGER SEARCH:

A motion was made by Lee Gustafson to appoint Arne Jonynas, Heather Chase, Julie Hance, Jeff Holden, Kathy Pellett, Richard Jewett and Robert Neid to the Town Manager search committee. Seconded by Heather Chase. The motion passed.

The Board discussed the score sheet that the Board used to rate qualifications for the new Town Manager. Arne Jonynas read the qualifications that the board rated. The top priority was the ability to work with community members, personnel management, Budgeting, Capital Planning, Resource Allocation; Experience in municipal government; verbal and written communication skills; public relations; community development and marketing experience; management experience; forward thinker; ability to formulate plans.

Julie Hance will email all committee members and set up a first meeting. The Board asked that they be updated monthly.

5. ADJOURN:

A motion was made by Heather Chase to adjourn. Seconded by Lee Gustafson. The motion passed. The meeting adjourned at 8:00 p.m.

Julie Hance
Secretary of the Select Board

Ben Whalen
Clerk of the Selectboard