

# TOWN OF LITCHFIELD

**Selectmen's Meeting**

**July 12, 2010**

The Board of Selectmen held a meeting at 5:00 p.m. in the Town Hall Conference Room.

Members present: Frank A. Byron, Chairman  
Steven D. Perry, Vice Chairman  
M. Patricia Jewett  
George A. Lambert  
John R. Brunelle

Also present for public session: Linda Langille, Office Manager

## **PLEDGE OF ALLEGIANCE**

7:02 p.m. All rose for the Pledge of Allegiance.

## **CONSENT ITEMS/ANY OTHER BUSINESS**

**Consent Items:** 1. Minutes: 6/28/2010 & 6/30/2010. 2. Timber Tax Warrants.

**Any other business:** 1. Nonpublic session. 2. Culvert extension date. 3. Town Hall use. 4. E. Darling appointment. 5. Used oil grant. 6. Budget Schedule. 7. Year to date spending. 8. Fire Department monthly report. 9. Avitar contract. 10. Meeting House rental.

## **PUBLIC INPUT**

Mr. Alfred Raccio, Bear Run Drive, came before the Board to present suggestions regarding budget cuts. He stated that any significant reductions would be in personnel but that it is difficult when talking about peoples' jobs, livelihood, etc. Some of his ideas are hourly roll back reduction, partial day reduction, mandatory days off, maybe 5 or 10 a year unpaid and to look at early retirement if necessary to preserve jobs. He would like these ideas to be presented to the Budget Committee at the meeting next week.

Mr. Raccio: Utilize the town's reserves as a buffer and those reserves be replenished in a 3 year bond, 2 million, but I am not sure this is permissible by the State. If we had that, we could use a million or  $\frac{3}{4}$  of a million of the reserve to soften the blow this year and then replace it over a manner of two or three years with a fixed bond.

He offered his services to the school, department heads, anyone needing help to research alternatives, etc.

## **LOCAL GOVERNMENT CENTER**

Mr. Thomas Dunn, Local Government Center, came forward to talk about the LGC training and benefits offered to the Town, the Town being a member. He provided brochures outlining benefits they offer such as legal services, personnel for recruitment, training available, etc. He further stated that LGC is holding conferences in November.

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### 2008 AUDIT REPORT

Frank Biron, President Melanson/Heath CPA in Manchester and Nashua, talked about the audit reports for 2008. The Board was provided with two reports Financial Statement and Management Letter. They are in the process of wrapping up the 2009 audit.

**Financial Statement:** Mr. Biron: We were hired to report to you whether or not your financial statements are in accordance with generally accepted accounting principles and the answer is yes. The previous year because of the fraud situation and other situations the auditors (Vachon) offered no opinion on the financial statements.

**Capital assets** - Mr. Biron: In the liability section there are no bonds, you have lease payables, no bonds payable and that is a good thing because most municipalities this size would have bonds payables. Retirement is an unrecorded liability not listed on the assets...in the financial statements because generally accepted accounting principles does not require it when you participate in a large plan. Talk went on as to funding of pension plans and liability.

**Modified accrual basis of accounting** - They compared numbers to prior years. Cash balance of 5.3 million is up \$610,000 from the year before but it could be just when the bills were paid, payments to the school, etc. The overall budget includes the school and the county which the net impact on taxes is about 15 million. Mr. Biron said the Town is in good shape with a strong fund balance according to the financial statements. A lot of communities have depleted their fund balances. Talk went on as to highway block grant money which is not included. It is believed that the money is not in the general fund but in the capital projects - this will be verified.

**General fund** - Revenues beat expenses by \$133,000 and that is favorable. Property tax revenues 2 million, the actual is the same as the budget...these get adjusted. In reality the Town had a good year collecting taxes...\$66,000 than what was build out. Talk ensued.

Mr. Biron: By having a conservative budget for licenses and permits, a conservative estimate of the budgets for revenues that is the way municipalities typically build a fund balance, build the undesignated fund balance is by budgeting for conservative revenues...if you budget low, and the actual comes in better, like it did here, you came in better \$332,000 that \$332,000 goes into your unreserved balance and that is how you build up your fund balance and that is done on the revenue side. So, to build the fund balance is to budget low for the local revenues.

He pointed out on Page 16 lines in parenthesis \$65,867 and \$19,596 pertains to the fraud situation.

**Management Letter/** Material weakness - this is a breakdown in internal controls such as theft. The reconciling of general ledger was not done in 2008; there was a lot of turnover, fraud with the Treasurer, a new administrative assistant, etc. Cash was not reconciled between general ledger and the Treasurer on a monthly basis. Also, in 2008 there was about \$18,000 of theft from January through March. Talk ensued. Impact fees large balances needs to be reconciled on a monthly basis.

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Departmental receipts - policies and procedure need to be in place. This is being worked on. Also internal audits need to be done. Mr. Biron suggested the Town Administrator check on departments making sure they are following the policies and procedures. The Fraud Policy has been done. Also, must be maintaining all funds in the general ledger - police detail, cable, etc. That is being done. Vendor checks should be mailed by Selectmen's Office not handed out by department heads. Payroll - should have pay rate approval forms and distribution should only happen after being approved by the Board of Selectmen. They are now being done because payroll is done in-house. As to the bank accounts, he said that the reconciliation should be put on one form listing all accounts, deposits, balances, etc. This makes it easier to reconcile the cash to the general ledger cash balances. A sample form will be provided from Heath/Melanson. Escrow - consolidate into one master account and the bank will track individual escrows. At least do this for new accounts coming in. The Town should get paperwork for collateralization. It was said that the impact fees are all in one account. As to voiding outstanding checks, Mrs. Langille mentioned a check was cashed recently that had been issued two years ago. So, that is an issue. Stop payments on checks involve a lot of paperwork.

**Tax Collector** - There should be a control log to track receivables. Receipts turned over to Tax Collector should be signed by two individuals. Theresa Briand Tax Collector (present) said when she does the close outs, she will sign and then when the girls put it into the excel sheet she will have them sign off as well. Mr. Biron said to consider a lock box service for receipt processing. To this Mr. Brunelle said that it would be a huge expense and he does not see any benefit.

**Trust funds** - The Library Trustees' funds are not tracked and they have old investments worth \$82,000 AT&T. He said they should be liquidated; the books show it as \$18,000. Most towns do not hold these investments. They should be tracking the expendables and non-expendables of Trust funds on the MS9 the Trustee's reports.

All in all, Mr. Biron said that they have seen improvements. As to the problems with the Treasurer, most of the issues were in 2006-07.

### **LIBRARY TRUSTEE ALTERNATE**

Peggy Drew came forward to talk about her desire to serve as an alternate Library Trustee. The Board is in receipt of a recommendation from Amy Kerrigan. Mrs. Drew said that she had attended a Trustee meeting.

Mr. Byron **MOTIONED** that the Board of Selectmen hereby appoints Peggy Drew to the Library Trustee as an alternate position for one year to expire 4/1/2011. Mrs. Jewett seconded. Motion carried 5-0-0.

### **HIGHWAY IMPACT FEES**

Mr. John Brunelle talked about the use of road impact fees to purchase a frontend loader for the highway department. There are about 161 roads in Town and about 25 were added since 2000.

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Mr. Brunelle **MOTIONED** that we approve the use of highway impact fees for the purchase of a Caterpillar 924H Frontend Loader not to exceed \$107,000. Mrs. Jewett seconded. Mr. Lambert questioned if the additional roads justifies expansion and he is somewhat unsure of Town Counsel's recommendation. Is it clear we can use impact fee money for this purchase? Mr. Brunelle felt past experience yes; the dump truck is a past action and the Board supported it. Mr. Byron felt it is clear from Town Counsel that it is not in the CIP and not recommended. Talk continued. Town Counsel's letter was reviewed. Mr. Brunelle believes Town Counsel does not say you can't do it; we can do it if the justification warrants it.

Talk continued. Mr. Lambert: The real question is whether or not we can justify the use of impact fees to buy it. I believe we can based on the way I read this letter if there really are 25 new roads and those roads were the growth upon which those impact fees were paid. What I do not know is are those roads where the growth was where the impact fees were collected.

Mr. Brunelle: Yes, a lot of cases they are. It is all the roads that came over since 2000.

Mr. Byron does not see the connection. Mr. Perry pointed out that the dump truck we authorized as a plow truck replaced a contracted service. Mr. Brunelle: What happens when a truck breaks down in the middle of the night... where do we call to get one in the middle of a snowstorm? Talk went on as to adding the equipment to the CIP. Mr. Brunelle thought it was going to be included in the CIP. Mr. Perry said he would feel better if it was in the CIP.

Mr. Lambert **AMENDED MOTION** that the Board of Selectmen authorizes spending up to \$107,000 in impact fees conditional upon a change in the CIP by the Planning Board to include this equipment in the CIP for the community. Mrs. Jewett seconded. Talk ensued. Vote on amendment: Mrs. Jewett and Mr. Lambert voted yes. Motion failed 2-3-0. Main motion: Messrs. Byron and Perry voted no. Motion carried 3-2-0.

### LIBRARY IMPACT FEE

The Library Trustees are requesting to purchase one outdoor book return box with cart and one outdoor AV return box in the amount of \$7,647 for both including installation. Town Counsel recommends that only half the amount is utilized by impact fees and half from the budget. This was discussed. Mr. Perry felt that they should be able to use all of the impact fees for the purchase.

Mr. Lambert **MOTIONED** that the Board approve impact fee expenditures for the Library in the amount of \$7,647 for the book drops and associated installation cost. Mrs. Jewett seconded. Vote: Mr. Byron voted no. Motion carried 4-1-0.

### IMPACT FEE REFUNDS

The Board discussed the reason for the refunds being paid to the developer as opposed to the present homeowner. It was said that it is a State Statute. Mr. Byron **MOTIONED** that the Board of Selectmen hereby takes and refunds to the payer of the impact fees the funds that have expired

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from the police. Mr. Brunelle seconded. Mr. Lambert voted no. Mrs. Jewett abstained. Motion carried 3-1-1.

### JOINT MEETING

The Selectmen will hold a joint meeting with the Budget Committee on July 22, 2010 at Campbell High School. The Board discussed what areas could be cut from the budget. The Board did not receive a lot of feedback from department heads. Chairman asked if the Board is willing to propose to look at cutting services to three days a week; cut cruisers, overtime decrease in police, etc. Other suggestions would be to ask employees if they have an alternate benefit arrangement, if they would take a buyout on insurance, trading off benefits, etc. Talk ensued. Mr. Brunelle pointed out that the Budget Committee is not allowing no more than a 0% impact to the current budget. It would be a flat budget and including warrant articles for 2010.

Mr. Lambert: I would like to see as our base 0% at whatever this year's default budget will be and come in under that. I would like to have our default budget be higher than the operating budget but not what was approved by the voters less the warrant articles last year unless that number is actually lower than this year's default budget...

Mr. Perry talked about employees getting five days a year unpaid leave and pointed out at the end of the day it would not be much of a savings maybe \$27,000 a year. Talk went on.

Mr. Perry: When I made the amendment on the 5% cut, I wanted those department heads to show me what it takes to get 5%. It does not mean I want the labor cut because I do not necessarily want to affect the labor. What I am saying, those department heads that are so secure in wanting to fight for their employees are not going to cut the labor and they are going to show those cuts and only the ones that have absolutely nothing to cut, are the ones that aren't going to show that.

Mr. Lambert stated that before we go an ask employees to take unpaid leave we need to ask the school to make cuts. All in all, the position the Board will bring to the Budget Committee will be to hold the budget flat.

### OFFICE SPACE

Mr. Perry talked about the different options for office space for the Town Administrator. He explained the four options. The cheapest is Option 4 moving planning, zoning and conservation to a section of the hotel area and the Town Administrator would occupy the planning office area. The Town Administrator would then propose the next step to reorganize.

Mr. Byron **MOTIONED** that the Board request that Selectman Perry go ahead and get quotes to scope this out and move towards collecting information necessary to implement this type of a change. Option 4. Mrs. Jewett seconded. Mrs. Langille said that there is money in the Town Office Complex from when the building was constructed about \$4,000. It was suggested taking it out of government buildings and then moving the money back. Mr. Brunelle **AMENDED MOTION** that we authorize Steve Perry to expend no more than \$5,000 from account 4194.10-

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630, not to exceed. Mr. Lambert seconded. Vote on amendment: Motion carried 5-0-0. Main motion: Motion carried 5-0-0.

### RECREATION COMMISSION

The Board discussed an invoice from Bradley Tree in the amount of \$3,240 in need of payment. Mrs. Jewett told the Board that she spoke with John Bryant and it would be discussed at the Recreation meeting this week. Chairman Byron said the invoice needs to be paid. Mr. Brunelle **MOTIONED** to take the money from line 4520.20-65. Mr. Perry seconded. Mrs. Jewett voted no. Motion carried 4-1-0.

### APPROVAL WITH CONSENT

Minutes 6/28/2010 and 6/30/2010; Timber Tax Warrants; Church request to use Town Hall for drop off; Budget Schedule; Appointment of Elizabeth Darling to the Recreation Commission; Approving extension of culvert replacement. Mr. Byron **MOTIONED** that the Board of Selectmen hereby approves all items under approval with consent (above). Mr. Perry seconded. Motion carried 5-0-0.

### ANY OTHER BUSINESS

**Monthly Fire Report** - Mr. Brunelle said he requested a monthly report from the Fire Department so he can understand what they do. This was discussed. He asked for the information because he wants to support the fire department. "They put their life in danger every day; I want to support them. I am asking for a quarterly report to the Selectmen". Mr. Perry replied that there is no secretarial staff, the Chief is trying to save money and he further stated that it is listed on the ambulance bills as to the calls. Mr. Brunelle believes there is a program with central data base that has all the information and a report could be obtained through that data base.

### PUBLIC INPUT

Mr. William Spencer, Budget Committee member, came forward to clarify what the Budget Committee meant regarding the 0% budget for the Town and 3% for the school.

Mr. Spencer: What we said come December our tax rate is going to be set and if you own a house and you are paying \$5,000 for the town portion in December of this year then next year whatever budget you put together you should still be paying \$5,000. Now that takes into account the Town's evaluation is going to go up...so we will estimate what the tax rate will be for 2011 and that is the number we are looking at.

Mr. Lambert: The evaluation will go down.

Mr. Spencer: You have a new evaluation right now...it is a million dollars, next year it is going to be a million two because you are going to add property to the tax base; it goes on every year. So, we will compute a new tax rate based upon what people propose and apply it against that

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same house and as long as that same \$5,000 comes out, we are fine. We are not saying you have to come in with a 0 budget increase because you don't because the evaluation is going to go up; if you held the same budget, your tax is going to go down. The tax you paid will go down.

Mr. Byron: If the evaluation goes down, that is another issue. I agree with you that there will be a slight increase in the evaluation but whether it would be significant or not, I do not think so.

Mr. Spencer: My point is that is the way we came up with the 0% increase...we did not say 0% increase in your budget number.

Mr. Byron said the issue is the warrant articles and he thinks they have to be included.

Mr. Spencer: Absolutely because our initial base will be what our tax rate is in December this year and what you would end up paying. That is the base and that operating budget should match that 0 increase. Anything else, except warrant articles, the voters can decide whether they want to pay for it or not. Now, if the Town decides to put everything in the operating budget and not have any warrant articles...and you still come in with 0, maybe that is okay, maybe it isn't, we will discuss that when we review the budget. I was hearing discussion of having to cut back hours and personnel, and I honestly do not think you are going to have to do that to meet the criteria that the Budget Committee suggested.

Mr. Byron: I think there is a difference of what the Budget Committee is requesting versus what the Board of Selectmen think is the right thing to do; that is a discussion the Board of Selectmen will have to get to the budget process.

### NONPUBLIC SESSION

At 10:53 p.m. Mr. Byron **MOTIONED** that the Board of Selectmen go into a nonpublic session per RSA91-A:3II(b) the hiring of any person as a public employee. Mrs. Jewett seconded. Roll call: F. Byron, yes; S. Perry, yes; M.P. Jewett, yes; G. Lambert, yes; J. Brunelle, yes. Motion carried 5-0-0.

On a **MOTION** and a second the Board came out of nonpublic session. Roll call: F. Byron, yes; S. Perry, yes; M.P. Jewett, yes; G. Lambert, yes; J. Brunelle, yes. Motion carried 5-0-0.

A **MOTION** was made to keep the minutes nonpublic. It was seconded. Motion carried 5-0-0.

### NONPUBIC SESSION

A **MOTION** was made to go into nonpublic session per RSA91-A:3II(c). It was seconded. Roll call: F. Byron, yes; S. Perry, yes; M.P. Jewett, yes; G. Lambert, yes; J. Brunelle, yes. Motion carried 5-0-0.

A **MOTION** was made to come out of nonpublic session. It was seconded. Roll call: F. Byron, yes; S. Perry, yes; M.P. Jewett, yes; G. Lambert, yes; J. Brunelle, yes. Motion carried 5-0-0.

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A **MOTION** was made to keep the minutes nonpublic. It was seconded. Motion carried 5-0-0.

There being no further business, a **MOTION** was made to adjourn the meeting. It was seconded. Motion carried 5-0-0.

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Frank A. Byron, Chairman

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Steven D. Perry, V. Chairman

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M. Patricia Jewett

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George A. Lambert

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John R. Brunelle

Lorraine Dogopoulos  
Selectmen's Secretary