

Minutes

Town of Norwich Finance Committee Meeting Tuesday, February 16, 2010 Tracy Hall, Norwich, Vermont

Members present: Stephen Lajoie (Chair), Stephen Flanders (Secretary), Cheryl A. Lindberg (arrived 4:50), and Keith Moran

Members absent: Dan Weintraub, Robert Mitchell and Ann Sargent

Also Present: Henry Scheier, Neil Fulton, Pete Webster (Town Manager)

Informal Discussion:

Those present conducted an informal discussion, while awaiting the completion of a quorum by Lindberg's arrival.

Neil Fulton explained that both Selectboard Financial Policy (SFP) #1 and #3 came from originated from NFC recommendations. The current proposals originate, as follows, the proposed change in SFP #1 came from the Selectboard Policy Roundtable and SFP #3, a proposed new policy, was an outcome of a Selectboard discussion on how to handle citizen relief. SFP #3 allows for the town to receive and spend grant funds without a specific authority from the voters. Currently, grants consistent with budgeted purposes can be accepted without a town meeting. However, other grants, like those from Homeland Security can provide 100% funding, but come on a different budget cycle than the town's.

Lajoie had editorial comments for Financial Policy #3. Fulton mentioned that Fire Chief Leinhoff had some suggestions about grant language, as well.

NFC meeting called to order:

Chair Lajoie called the meeting to order at 4:52 PM.

Agenda Items Discussed

1. Review/Amendment of Agenda:

Lajoie suggested moving the town eating day ahead to follow Financial Policy #3. There was no objection.

2. Review/Approval of Minutes: (Discussed after Item 5.)

Lajoie asked for comments on the minutes of the meeting of 10 February 2010.

Motion: Lindberg moved and Moran seconded that the 10 February 2010 minutes circulated to the NFC be accepted as drafted with any editorial changes.

The motion passed unanimously.

3. Public Comments: There were no public comments on items that were not on the agenda.

4. Selectboard Financial Policies #1 and #3:

Fulton circulated copies of Selectboard Financial Policies #1 and #3. In SFP #1, he proposed deleting the sentence, “Exempted from this requirement would be any reserve funds established for grants.” He drafted SFP #3 (Appendix A), to implement the following language from the amended VSA. § 2664 *Budget*:

The selectboard may apply for grants and may accept and expend grants or gifts above those, which are approved in the town budget. The selectboard shall include, in its annual report, a description of all grants or gifts accepted during the year and associated expenditures.

The informal discussion picked up after Item 1 in this agenda. Further discussion covered the following points:

- Lindberg asked about the proposed authority of the Selectboard to establish new, unbudgeted funds to accommodate grants and gifts received. Fulton explained that such funds would mirror the grant conditions, rather than the town’s fiscal year.
- Lindberg questioned how the proposed policy makes the accommodation of grants and gifts clearer. Fulton explained that this provides authority to receive funds that weren’t budgeted for specific purposes. He explained that the funds would be in control of the Selectboard and the town manager.
- Lindberg recommended a trust arrangement. Fulton explained that, under the town manager form of government, citizen relief is the responsibility of the town manager.
- Fulton explained that the new policy language allows for citizen relief, this would allow for rapid action through the town service officer and the town manager.

Fulton asked for an NFC motion on the changes in language in SFP #3 and #1.

Motion: Flanders moved and Moran seconded that the NFC endorse the proposed “Selectboard Financial Policy #3: Grants, Gifts and Special Funds,” including the proposed editorial remarks and input received from Fire Chief Leinhoff.

Discussion: Webster endorsed the proposal. Lindberg asked how one would audit the citizen relief portion. Fulton suggested that the Town would keep records on this matter.

The motion passed unanimously.

Motion: Flanders moved and Moran seconded that the NFC endorse that the text in SB FP #1 “Exempted from this requirement would be any reserve funds established for grants,” be deleted, as proposed.

Discussion: No discussion.

The motion passed unanimously.

Lindberg asked about previous NFC recommendations (Appendix B—transmitted 8 September 2009) on “Town of Norwich Financial Policies and Procedures,” noting that there was no apparent action from the Selectboard and the Town Manager. Fulton was unaware of any action.

Action: Lajoie to resend the NFC recommendation.

5. Town Eating Day Schedule and Topics:

Scheier stood in for the moderator of the NFC's 11-AM slot in "Town Eating Day (TED)," Robert Gurwitt. He emphasized that the TED committee is looking for conversations without pointing in special directions. He recommended that:

- The first part can be about how the committee operates, but the rest should be open-ended, based on public comments.
- The NFC members list ideas that we'd like to be doing.

TED is not intended to be a time for political opinions. Comments may come from the NFC's write-up in the town report. Avoid too much technical knowledge. February 27th is the date of the event. The NFC's slot is 11 AM. The idea is to get more people involved.

NFC members suggested that the "NFC Skill Set," discussed in 6., would be a good handout. Items to have on hand to guide people to would be:

- A handout explaining the CLA.
- Finances for Yankees.
- Town Report NFC report.

6. NFC Information Products and Tools:

Flanders introduced three products that he has been developing to make the NFC more effective in its mission, an "NFC Skill Set," a primer, entitled, "Norwich Finances for Yankees," and reverse calculators for deriving recommended town and school budgets from acceptable changes in property tax.

NFC Skill Set— This document is included in Appendix C. The NFC members present liked the document and endorsed it as a handout for Town Eating Day.

Norwich Finances for Yankees – Flanders presented this document as a primer for those interested in understanding how budgets are assembled and taxes are calculated. Some discussion points included:

- Lindberg recommended revising text on the town Treasurer. Flanders suggested that she supply recommended text.
- Lindberg suggested that the verbiage could be checked against that found in the town report. Flanders accepted this as an action item before the next NFC meeting.
- Lindberg suggested that Fulton review the document. Flanders endorsed the idea after assessing changes indicated by reviewing the town report.

Action: Flanders to review the document in reference to town reports and share the resulting draft with Fulton for his review.

Reverse Calculators – Flanders introduced two spreadsheets and an explanatory document, entitled "Calculating Budgets from Target Changes in Taxes." He explained that the spreadsheets allow the NFC to identify acceptable percentage changes in property tax rates, which then will identify a target town and school budget, based on a variety of assumptions. Using these

spreadsheets, with several scenarios for the underlying assumptions, could be the basis for future budgetary guidelines.

- NFC members showed interest in the project and recommended that Flanders do a demonstration with a projector in a future NFC meeting.

7. Other Topics:

Meeting Start Times – Lindberg asked whether 5 PM meeting starts would be feasible. The members present found that to be an acceptable time. Flanders pointed out that one member often has to leave early.

Future NFC Composition – Discussion ensued about the future availability of current members after current terms expire. Lajoie announced that, owing to family obligations, he is not going to seek re-appointment after his term expires in March.

8. Summary of Next Agenda:

No details were discussed.

9. Adjournment

Motion: Moran moved and Lindberg seconded that the committee adjourn.

The vote was unanimous.

Adjourned at 6:10 PM.

Upcoming meeting dates:

Tuesday, March 16, 2010

Tuesday, April 20, 2010

Tuesday, May 18, 2010

Appendix A: DRAFT Selectboard Financial Policy #3

**SELECTBOARD FINANCIAL POLICY #3
GRANTS, GIFTS AND SPECIAL FUNDS
TOWN OF NORWICH**

1. PURPOSE

1.1 The purpose of establishing a policy for grants, gifts and special funds is to provide guidance for the receipt and use of grants and gifts and the creation and use of special funds. This policy does not supplant or replace applicable existing or future policies or guidelines of the Governmental Accounting Standards Board.

2. DEFINITIONS

2.1 The following definitions apply to this policy:

2.1.1 Gift: Cash, labor or materials given voluntary and without compensation. Gifts may be unrestricted if they are not given for a specific purpose or restricted if they are given for a specific purpose.

2.1.2 Grant: A contribution or gift of cash or other assets from another government agency or non-profit to be used or expended for a specific purpose, activity, or facility with past or future compliance with certain conditions.

2.1.3 Special Fund: A special fund is a fund committed to a specific purpose by Town Meeting or the Selectboard with one or more revenue sources.

3. BACKGROUND

3.1 Town Meeting approves a gross spending town budget for a specific amount plus unanticipated state and federal grants and gifts consistent with budgeted programs for a specific period normally the fiscal year from July 1st to the following June 30th.

3.2 In 2008 17 .VSA. § 2664 Budget was amended¹ by adding the underlined language in the following:

2664. BUDGET

A town shall vote such sums of money as it deems necessary for the interest of its inhabitants and for the prosecution and defense of the common rights. It shall express in its vote the specific amounts, or the rate on a dollar of the grand list, to be appropriated for laying out and repairing highways and for other necessary town expenses. If a town votes specific amounts in lieu of a rate on a dollar of the grand list, the selectmen selectboard shall, after the grand list book has been computed and lodged in the office of the town clerk, set the tax rate necessary to raise the specific amounts voted. The selectboard may apply for grants and may accept and expend grants or gifts above those which are approved in the town budget. The selectboard shall include, in its annual report, a description of all grants or gifts accepted during the year and associated expenditures.

¹ Section 12 of 2007-2008 Act No. 121. An Act Relating To Miscellaneous Amendments To Local Election and Municipal Government Laws.

3.3 This new language allows the Selectboard to apply for, accept and expend grants and gifts without the limitation on consistency with budgeted programs and added a requirement that the Selectboard's annual report include a description of all grants or gifts accepted during the year and associated expenditures.

3.4 Governmental Accounting Standards Board (GASB) *Statement No. 54, Fund Balance Reporting and Governmental Fund Type* contains the following definition: Committed fund balance – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint

3.4.1 The Norwich Town Meeting or Selectboard qualifies as the highest level of decision-making authority.

4. POLICY

4.1 This policy does not apply to reserve/designated funds established in accordance with 24 VSA § 2804, which is covered by Selectboard Financial Policy No. 1.

4.2 Grants and gifts consistent with budgeted programs.

4.2.1 Consistent with budgeted programs means that there is a budget line item or reserve/designated fund that monies could be spent from to accomplish the purpose of the grant or gift.

4.2.2 Gifts and grants in this category shall be managed in accordance with Selectboard Financial Policies Nos. 1 and 2 and the Financial Management Policy.

4.2.3 Appropriated monies within this category shall be spent within the timeframe specified in the town meeting appropriation article (gross spending town budget), normally within the current fiscal year, with encumbrances handled as specified in the Financial Management Policy.

4.2.4 Grants and gifts within this category shall be spent within the timeframe and for the purposes specified in the grant or gift.

4.3 Grants and gifts not consistent with budgeted programs.

4.3.1 Grants and gifts not consistent with budgeted programs means that there is not a budget line item or reserve/designated fund that monies could be spent from to accomplish the purpose of the grant or gift.

4.3.2 In addition to the requirements in Selectboard Financial Policies Nos. 1 and 2 and the Financial Management Policy no grant or gift in this category shall be applied for or accepted without prior approval of the Selectboard. Before applying for or accepting a grant or gift the Town Manger shall provide the Selectboard a written request that details the potential source and amount of the grant or gift, the timeframe for receiving and spending the grant or gift, the purpose and conditions of the grant or gift, the impact on town functions, employees and services and other information that will help the Selectboard review the request for approval of applying for or accepting the grant or gift.

4.3.3 Grants and gifts within this category shall be spent within the timeframe and for the purposes specified in the grant or gift.

4.3.4 Grants and gifts within this category shall be reported separately in the annual town report and contain the following information:

4.3.4.1 The source of the grant or gift.

4.3.4.2 The purpose of the grant or gift.

4.3.4.3 All expenditures of monies associated with the grant or gift.

4.4 Special Funds

4.4.1 Special funds shall be spent the timeframe and for the purposes specified when the special fund was established by Town Meeting or the Selectboard.

4.4.2 Special funds for poor relief and citizen assistance shall only be spent to assist Norwich residents and after consulting with the Town Service Officer.

4.4.2.1 In accordance with 24 VSA § 1236 the Town Manager may sign orders on the special fund for poor relief.

Adopted by the Norwich Selectboard on _____..
For the Norwich Selectboard:

Sarah Nunan, Chair

Appendix B: NFC Memo to Selectboard on Financial Policies and Procedures

To: Town of Norwich Selectboard

From: Town of Norwich Finance Committee

Subject: Town of Norwich Financial Policies and Procedures

Following up on the Selectboard's Roundtable on Town of Norwich Policies, the NFC held a special meeting on September 2 to review the Town's Financial Policy documents. What follows is a summary of the review and the NFC's recommendations to the Selectboard.

- *General Observations*

Policies versus Procedures—Make the distinction clear as to which of the documents are policies of the Selectboard and which are procedures for execution by the town manager

Policies—Policies should reflect the discretion of the Selectboard within the bounds of Vermont statutes. They should be organized and collated as a body and signed and periodically reviewed by the Selectboard.

Procedures—Procedures should reflect the discretion of the town manager within the bounds of Norwich Selectboard policies. They should implement Selectboard policies and Vermont statutes, as appropriate. The Selectboard should assure that the town manager and the department heads follow procedure or where procedures have overtaken written procedures, that the procedures be revised appropriately.

- *Financial Management Policy*

This document is a town manager implementing procedure, not a policy.

Employee reimbursement

- Three points should be addressed in the Employee Reimbursement section.
 - 1) barring town employees from incurring or obligating the town to expenses without prior approval,
 - 2) requiring that each employee report to a higher level for approvals for incurring expenses and their reimbursement, and
 - 3) that there be a system of per diem for travel expenses.

(Note: At the NFC meeting of 21 July, 2009 the NFC passed the above in a motion on reimbursement, obligation and per diem)

Workers Compensation Liability Exposure & Waivers

- Three points should be addressed in the Exemptions & Waivers section.
 - 1) Workers' Compensation procedures and protections should be strengthened,
 - 2) obtaining a signed waiver before signing the Non-employee Work Agreement should be rigorously adhered to, and
 - 3) a review of the town's exposure to workers' compensation claims should be conducted.

- *Tax Collection Policy*

- Document appears to be a procedure, not a policy. The Selectboard should clarify what is a statutory requirement for tax collection and what is at the Selectboard's discretion within the policy and further what is the town manager's procedure within policy. Payment schedules should conform to policy and procedure. The Section 6 on payment currency and method should be updated.

Steve Lajoie

Chair, Norwich Finance Committee

Appendix C: NFC Skill Set and Statement of Purpose

NORWICH FINANCE COMMITTEE

Skill Set

This comprises member skill set (not in priority order) that would benefit the Norwich Finance Committee. Refer to the *Statement of Purpose*. The combined committee membership should have the ability to:

- Connect with town residents on their town and school-spending priorities.
- Research on-line material.
- Follow national economic conditions and trends
- Connect economic conditions and trends to the Norwich-Hanover footprint.
- Understand the many elements of town and school budgets and how they are determined.
- Understand both town and school business practices, e.g. services provided, staffing levels, reserve funds, etc.
- Understand how taxes are determined from budgets and the grand list.
- Read an audit report.
- Analyze financial material, using on-line sources and spreadsheets.
- Develop useful town and school financial recommendations
- Write reports.
- Discuss controversial matters with fellow NFC members, constructively.
- Attend a minimum three hours of late-afternoon meetings and four hours of evening meetings per month over a term of three years.

Statement of Purpose

The Norwich Finance Committee (NFC) is composed of seven Norwich residents: the three who are elected to serve on the NFC, the three who are appointed to serve on the NFC by the Selectboard, and the Town Treasurer. These seven along with the seven appointed members of the Hanover Finance Committee comprise the Finance Committee for the Dresden School District.

The NFC has advisory oversight responsibilities in the creation of annual budgets for the Town of Norwich, the Norwich School District and, together with the Hanover Finance Committee, the Dresden School District. The NFC researches budgets, policies, contracts, and practices that affect Norwich town and school finances. It renders non-binding advisory recommendations, based on its findings. The NFC provides input in formulating the request for proposal (RFP) for an independent auditor of the town's finances and reviews the resulting report.

The NFC elects a Chair, Vice-chair and Secretary from among its members.

Vacancies of the NFC are filled by appointment of the Selectboard to serve until the next Town Meeting elections for elected positions or to complete the vacated term for appointed positions.

Members of the NFC serve without compensation.

April 21, 2009