

**MINUTES OF THE PUBLIC HEARING OF
THE TOWN BOARD OF THE TOWN OF NEW LEBANON
ON THE 2016 PRELIMINARY BUDGET
HELD ON OCTOBER 29, 2015**

Present: Michael Benson, Supervisor
Dan Evans, Councilmember
Chuck Gerald, Councilmember
Irene Hanna, Councilmember
Matthew Larabee, Councilmember

Recording Secretary: Colleen Teal, Town Clerk

Others Present: Jeff Winestock, Highway Superintendent
Cissy Hernandez, Building Department Administrator
Cynthia Creech, Deputy Court/Assessor's Clerk;
Recreation Commission, CAC, & Zoning Re-Write
Committee Member
Kevin Smith, Ethics Board Member
Robert Smith, Planning & Ethics Board Member
Ted Salem, ZBA Member & Zoning Re-Write Chair
Tony Murad, ZBA Chair
Sharon Moon, Town Historian
Tammie Darcy, Tax Collector
Bernhardt Karp, LVPA
Stephanie First, LVPA
Gregg Gilliland, LVPA President
Ben Wheeler, LVPA Fire Chief
Bob Waters, LVPA
Sharon Wheeler, LVPA
Ed Godfroy, LVPA
Several members of the public

CALL TO ORDER:

The public hearing was called to order at 7:04 p.m. by Supervisor Benson.

PROOF OF PUBLICATION AND POSTING:

Town Clerk Teal read the public notice as follows:

**NOTICE OF PUBLIC HEARING
ON THE PRELIMINARY BUDGET
OF THE TOWN OF NEW LEBANON
FOR THE YEAR 2016**

NOTICE IS HEREBY GIVEN that the PRELIMINARY BUDGET of the TOWN OF NEW LEBANON for the fiscal year beginning January 1, 2016, including general town funds, highway funds, and fire protection district funds, has been completed and filed in the office of the Town Clerk at the New Lebanon Town Hall, 14755 NYS Route 22, New Lebanon, New York, where it is available for inspection by any interested persons during regular Town Clerk office hours. The Preliminary Budget for 2016 has also been posted on the town website (www.townofnewlebanon.com) and can be viewed or downloaded from the website.

FURTHER NOTICE IS HEREBY GIVEN that the Town Board of the Town of New Lebanon shall hold a public hearing on said Preliminary Budget on Thursday, October 29, 2015 at 7:00 p.m. at the New Lebanon Town Hall, 14755 NYS Route 22 for the purpose of receiving public input on the proposed Preliminary Budget for the fiscal year 2016.

The following are the proposed 2016 salaries of the Elected Town Officers of the Town of New Lebanon:

Supervisor	\$5,000
Councilmembers (4)	\$500 each
Town Clerk	\$35,922
Highway Superintendent	\$59,095
Town Justices (2)	\$10,716 each
Tax Collector	\$10,600

The following is the proposed 2016 amount for the Lebanon Valley Fire Protective Association:

SF-1	\$247,210
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By order of the Town Board of the Town of New Lebanon
Colleen Teal, Town Clerk
10/22/15

PUBLIC COMMENT:

The following people spoke opposing the adoption of the 2016 Preliminary Budget:

Joe Ogilvie noted he was speaking for a group of residents/taxpayers opposed to the adoption of the 2016 Preliminary Budget with regard to the Fire Protection District (SF-1) amount of \$247,210. Mr. Ogilvie submitted the following written request to the Town Board:

October 29, 2015

To: The New Lebanon Town Board

We are taxpayers concerned about a reasonable fire company budget.

We have two requests about the proposed 2016 budget for the fire company.

1. Reduce Fire Company Budget

Our first request is to reduce the fire company budget from \$247,210 to \$110,740. This is the Average of their actual operating expenses over the last four years.

2. Implement better financial oversight

Our second request has two parts. The first is for better accounting by the fire company. This entails the following:

- 1) Use proper accounting standards that are appropriate for a fire protective agency.*
- 2) Produce financial statement that show a more complete audit with full disclosures.*
- 3) End depreciation charges to the town.*
- 4) Explicitly state when funds are set aside for capital reserves in a proposed budget and account for them separately.*
- 5) End the practice of "keep what you don't spend"; that is, unexpended balances after each fiscal year should be returned to the taxpayers, as well as any other unanticipated revenue, such as from sales of equipment.*
- 6) Rewrite the LVPA contract to reflect these terms.*

The second element of our request is for more transparency by the fire company in fiscal processes. These include:

- 7) Base reimbursements on actual and exact expenditures.*
- 8) Have an agreed reconciliation process at the end of each fiscal year.*
- 9) We suggest the formation of a committee to determine what are appropriate expenditures and reserves, including capital reserves, and also to settle these financial management processes.*

Thank you for your consideration of these requests.

Fiona Lally spoke opposing the adoption of the 2016 Preliminary Budget with regard to the Fire Protection District (SF-1) amount of \$247,210. Ms. Lally stated she did some research that caused her some real concern. The three things that really made her think that the fire company budget was not appropriate and that more oversight was needed are:

1. Almost all of their money or funding, comes from the taxpayers;
2. Sixty percent (60%) of all the expenses for the last three years according to their federal tax filings are coming from depreciation; and that is not an operating cost, that is an accounting tool; and
3. Almost half of their assets are in cash; the website stated that if they were to stop receiving funding, the organization could continue to pay their bills for around 2.4 years.

She stated that this is an organization whose finances really need more review.

Jagat Pandey spoke opposed to adopting the 2016 Preliminary Budget and he requested that the Town Board wait until the election is over to finalize the 2016 Budget.

Kevin Smith asked for the exact amount that the Highway Department is being cut; Supervisor Benson responded that the Highway Department was not cut.

Jeff Winestock, Highway Superintendent, that money for funding highway equipment has been removed from the budget this year; \$20,000 from Capital Project Fund (DA-9950.9) as well as the \$15,000 that was being rolled over from equipment financing. He reiterated his need to replace the backhoe and expressed his concern that no monies are being set aside for this. Councilmember Hanna stated that as a town, we need to have a plan for replacing equipment.

Bernhardt Karp, LVPA CPA, responded noting he took exception to the presentation regarding the LVPA budget, accounting, and depreciation and he discussed cash reserves. **Fiona Lally** noted the site stated from the standpoint of expenses, *“The organization’s primary costs are depreciation and amortization which accounted for 60% of current expenses in 2013. This is fairly atypical [not typical] for a fire prevention, protection and control organization of this size. Other organizations in this peer group spent most of their budget on unclassified expenses.”*

Peter Watson spoke opposing the 2016 Preliminary Budget with regard to the Fire Protection District (SF-1) amount of \$247,210. He noted that the question is not whether or not there should be depreciation because that is how you do it; the question is: is it excessive? There is \$570,000 in cash; this is a very wealthy organization. There is \$100,000 of depreciation on \$600,000 of assets; there probably should be a third of that. When you look at the budget itself, there is a doubling this year of the capital reserve contribution; it is going from \$23,000 to \$45,000. The question becomes are the appropriate service lives being used for equipment and reasonable assumptions being used. Another example of disconnect is the budget request for Building Maintenance is \$36,000, the same as last year, but when you look at the actual expenditure in the tax

form, it says \$8,000. The budget has been flat for a while but is it a reasonable budget? There are some things that suggest there is a lot of padding in it and that is the reason we have been building up a lot of cash. Given that all this money really is coming from the public in the form of appropriations, is that reasonable? So maybe instead of considering an increase, should we really be looking at this more carefully and maybe really what we should be doing is looking at a really substantial decrease because we have been overpaying.

Bud Godfroy spoke opposing the adoption of the 2016 Preliminary Budget with regard to the Fire Protection District (SF-1) amount of \$247,210. He stated that in the budget submitted by the LVPA over the past few years, there actually was a line item for depreciation as well as a line item for vehicle replacement.

Ted Salem spoke noting that he had 40 years of public service experience primarily in state and local government and he has managed somewhat short of a “bazillion” contract budgets that came out of all types of organizations as well as managing a few in his private life. He opposed the adoption of the 2016 Preliminary Budget with regard to the Fire Protection District (SF-1) amount of \$247,210 noting that depreciation does not belong in an expense budget nor in a contract budget between a municipality and a service provider. Reserves for capital expenditures is the way to put aside money for a capital purchase in this situation. Reserves are known, they can be seen and there should be appropriate schedules with them. This community does need to have a separate conversation about a building but to save up for it in the manner in which it appears that they are doing, it seems that they are saving up for a building that not necessarily everyone accepts. We need to have that conversation but, at least for now, let’s manage this budget based on its actual expenditures and its real need for reserves over an extended period of time.

Ed Godfroy spoke supporting the LVPA budget and addressing the 2012 Independent Auditor’s Report of the LVPA’s financial records.

Bob Waters spoke supporting the LVPA budget noting he has been treasurer of the LVPA for the past 25 years. He has been audited by the state, by the federal government and he has also been audited twice by the IRS. He works closely with the LVPA’s accountants and he has not had any problems with any of the organizations that he has been audited by.

Carin DeJong addressed the LVPA noting she thinks transparency is what she would like to see. She would like to know exactly what the money gets spent on. **Supervisor Benson** noted that the 990s are available to everyone.

Jim Carroll spoke opposing the adoption of the 2016 Preliminary Budget with regard to the Fire Protection District (SF-1) amount of \$247,210. He noted there have been questions over the past several years about their budget. He does not have any doubt that it is spent appropriately but he thinks the board should look at building the budget for the Fire Department from the bottom up. What did they spend, what are they going

to spend, and that is where you go. The fact that there is a half million dollars sitting in a bank account somewhere is a little shocking. He knows if the town board had half a million dollars sitting in there and that was 25 or 50 % of their budget; the state would probably have a little chat with them or at least the town's people would.

Bob Smith addressed the board asking why the Library does not need to be audited or submit a budget; we pay \$135,000 for the library every year? **Supervisor Benson** responded that in the case of the library, it is because the people in this town voted in a referendum to fund the library to the tune of \$135,000 a year. It was also noted that the Library does file a 990 which is available to the public.

Carin DeJong addressed the LVPA again noting transparency is very nice to see but just because it is okay what is happening, it does not mean that the taxpayers are comfortable with that kind of money sitting in the account if we do not know exactly what it is for. The discussion is not necessarily the accounting practices or what the auditors say but is it something that the taxpayers are comfortable with and they are not being asked to vote on it.

Monte Wasch addressed the LVPA noting that it is his understanding that there is approximately \$574,000 or something close to that in the fire company's cash account. **Ed Godfroy** responded that it is \$507,000. Mr. Wasch noted his understanding and support of their need to replace capital items but asked if they could provide the town with an understanding of their replacement plans for the next three (3) to five (5) years so that the town has an understanding of how the LVPA plans to spend that money that is now sitting in your account. **Ed Godfroy** provided a break-down of the funds:

\$159,000	Fire Savings (money left over from the budgets for 2014 & 2015 to run the fire company from now until they get the check from the town for 2016 at the end of February.)
\$49,722	Radio Replacement (to cover incidentals not covered by the county-wide radio replacement program – any funds not used for radio replacement will be transferred to the building fund per an agreement with the Town Board)
\$10,000	Escrow (for unforeseen expenditures)
\$279,460	Building Fund (saved for new building)
\$8,056	Truck replacement (the bulk of the money in this account, \$85,000, was used to pay off a truck).

Ed Godfroy stated the building is over 50 years old but it is still being depreciated. [overtalking] **Supervisor Benson** noted that a building can be depreciated over 39 years but if there are improvements on the building, the clock sort of resets on a portion of it; the improved part of it.

Fiona Lally addressed the board noting that she works exclusively with non-profit organizations and the way they are run. They look at peer organizations in order to determine what is appropriate for how an organization operates. When she sees something that says this is really atypical for an organization like this, it puts up red

flags. Why does this organization do this but other organizations of the same nature do not? A CPA that works for the state reviewing non-profit grant submissions and other official document review looked at the three most recent 990s and she was appalled and felt there needed to be an independent review. When she hears and sees these things and also sees there are discrepancies between what is on the tax forms and what is on the budget and/or reports, her feeling is that it is important to get someone whose job it is to look at these things from the ground up and determine what are the actual expenses; what are the reserves and how should they be kept and how do you construct something that everybody understands. Because she does not understand this and she is not dumb.

Ben Wheeler, LVPA Fire Chief, addressed the board noting he has been a member of the LVPA for 25 years, has been on the Board of Directors for the LVPA for quite a few years, and has helped craft many of these budgets. He stated these are valid questions and concerns; the LVPA does get a fairly decent chunk of the money that the taxpayer's pay each year. He noted many components that he needs to include in his plans including:

- the future of the LVPA including equipment and buildings;
- the current condition of the buildings;
- the need for a new building;
- the need for a 10% down payment to get a loan for a new building;
- the standards to which the building needs to be built (*getting answers now*);
- keeping their rolling stock viable and up to acceptable standards;
- trying to get 25 years out of each piece of equipment and replacing a piece of equipment every five years; and
- the need to keep budgets down.

There was discussion regarding the proposed new fire house, financing a new fire house, the long term impact of that financing, and the authority of the fire company and the town board with regard to the financing of a new fire house.

Supervisor Benson noted we are looking at a proposed 2016 budget figure of \$247,210 for the fire company and the town board's decision is how much they are going to pay them for 2016. However, given the need for a fire house, he feels they need to look way beyond 2016. Right now, there is no line item in this budget for principal and interest payments. If that were to show up in 2017, it is going to be there in 2017 and it is going to be there until 2047. That is what he is concerned about.

Joe Ogilvie asked the Supervisor if they are requesting that the board fund the LVPA at \$110,740; can the Supervisor entertain that request and ask the board if that is a consideration? **Supervisor Benson** responded they made that request and it is the board's obligation to consider the request.

Ed Godfroy addressed the board reminding them that this is a contract so it is a contract negotiation so if they decide on that we need to go back into contract

negotiation which is done in executive session. **Supervisor Benson** said it does not have to be; **Town Clerk Teal** noted it cannot be.

[overtalking]

Ben Wheeler addressed the board noting that a mortgage payment would not be simply added on top of the budget. When the time comes, they will look at the budget at that time and pare down as much as they can to offset the impact of adding the mortgage. To the best of their ability working with their board and their CPAs, they will try to make that impact as minimal as possible.

There was discussion regarding the possible cost of the mortgage and the fact that until a final plan is accepted that is unknown.

Carin Dejong addressed the board requesting that they have a small committee of people that maybe work a little more closely with the fire company to figure out what there long term costs are. It was noted that Councilmember Geraldini is the board liaison with them on their Building Committee. **Councilmember Geraldini** stated that much is unknown at this time about any proposed new building. He also noted that a lot of information was provided tonight including a lot of figures and he felt the meeting should be continued to another night so they had time to go over the information.

Joe Ogilvie reiterated that there is \$45,000 in a capital lien item in this budget that is going towards a building that has not been chosen; we don't know what it is but we are paying for it now.

Supervisor Benson reiterated that the board is voting on a budget for 2016 but there are some people, and he is one of them, that wants to look past 2016.

Bob Smith addressed the board supporting the LVPA's 2016 budget.

All persons wishing to be heard, having been heard, a motion was made by Councilmember Larabee, seconded by Councilmember Geraldini and approved unanimously to adjourn the public hearing until November 10, 2015 at 6:00 p.m. at the Town Hall.

Respectfully submitted,

Colleen Teal
New Lebanon Town Clerk