

Board of Selectmen  
Grange Hall  
June 14, 2010  
Special Meeting Minutes

Selectmen Present: Mark Walter, Emmett Lyman, Peter Govert

Also Present: Board of Finance Members - Bob Bennett, Bruce Dutch, Susan Link, Ed Schwenzfeier, Deb Denette-Town Clerk and BOF recording secretary, Cindy Varricchio-Finance Administrator, Bob Scherer, Chairman, Economic Development Commission, Patty Stricker, Economic Development Commission, Melissa Ziobron, Economic Development Coordinator

1. Call to Order: First Selectman Walter called the special meeting of the Board of Selectmen or order at 7:00p.m.

The regular meeting of the East Haddam Board of Finance was called to order by Bob Bennett on Monday, June 14, 2010 at 7:00 pm at the Grange Hall.

The Pledge of Allegiance was recited.

2. **Board of Selectmen: Adoption of a resolution of the Board of Selectmen authorizing:**

- a. an appropriation of \$733,955.56 to reimburse the project account related to the Town's Grade 4 – 8 Middle School Project for certain interest costs associated with its \$18,070,000 General Obligation Bond Anticipation Notes dated May 16, 2007 and which matured on May 15, 2008; and**
- b. such other actions relating to the foregoing as may be properly considered at said meeting.**

**Board of Finance: Adoption of a resolution of the Board of Finance authorizing:**

- a. an appropriation of \$733,955.56 to reimburse the project account related to the Town's Grade 4 – 8 Middle School Project for certain interest costs associated with its \$18,070,000 General Obligation Bond Anticipation Notes dated May 16, 2007 and which matured on May 15, 2008; and**
- b. such other actions relating to the foregoing as may be properly considered at said meeting.**

Mrs. Varricchio reported that Mark Walter, Paul Maxwell and she have been working very closely with our new bond counsel and the auditors to resolve the issue of over borrowing on the 4-8 Middle School Project and the payment of project interest from the wrong fund. Mrs. Varricchio reminded the Board that she had initially brought these concerns to the Board last year. She went on to note that the School Building Committee did a terrific job and did not overspend the project. The issue is that an interest payment was paid from the wrong fund and that resulted in a shortfall in the project fund to pay down debt and also resulted in the project appearing to be over budget. To remedy this situation, the Town needs to authorize an appropriation of funds to the project.

Mrs. Varricchio provided the Board with an informational handout; reviewing each issue as follows:

Interest paid from the Middle School Project Fund and not from the General Fund where it was budgeted:

- The handout included an email from Mrs. Varricchio to the Board from last August highlighting issues with the project accounting.
- The handout included excerpts from the 2007-2008 audit (said audit identified material weaknesses).
  - The audit reflected that the debt service payment was paid from the 4-8 Middle School Fund in the amount of \$721,783 and the correlating under budget of Debt Service for the General Fund of \$736,000.
  - The audit that stated that “The accounting records were not monitored and reviewed at year end. Numerous accounts were noted to be out of balance, and all fund activity was not recorded properly. ....Expenditures and related revenue on the bond anticipation notes for the Middle School Project were budgeted in the General Fund but recorded within the Capital Projects [School Project] Fund.”

The Project was over financed by approximately \$2 million:

- Mrs. Varricchio again called the Board’s attention to an email from last August where project accounting issues were highlighted (included in the handout).
- Mrs. Varricchio stated that it was her understanding that the over borrowing was done in anticipation of delays in State reimbursements.
- Mrs. Varricchio stated that the Town authorized expenditures of approximately \$35 million (between two referendums and Town Meeting). The State reimbursement was anticipated to be approximately \$16 million; which left authorized debt not to exceed \$19 million. Total debt issued in May of 2008 for the project was approximately \$21 million.
- We have paid down over \$1.3 million in Bond Anticipation Notes on the project.
- Bond counsel has indicated that we are required to pay down the over issuance of authorized debt (approximately \$400,000).

Funds were transferred from the Reserve for Capital Projects Fund without proper authorization:

- Mrs. Varricchio again called the Board’s attention to an email from last August where project accounting issues were highlighted (included in the handout).
- The handout included an excerpt from the 2007-2008 audit that showed an interfund transfer between the Reserve for Capital Projects Fund to the school project fund in the amount of \$240,304. This transfer was not authorized.
- The handout also included a copy of the invoice for interest on the project and the handwritten calculations and transfer amount prepared by a former staff member.

Mrs. Varricchio recommended that the Board consider an appropriation of the entire interest payment amount of \$733,955.56 to reimburse the project account; to enable the Town to pay down the remaining over financed amount, to return to the Reserve for Capital Project Funds the \$240,304; and to maintain a balance in the Project fund for any additional expenditures (bond costs, etc.) until such time the Project is closed and the funds can be turned over to the general fund.

### **Board of Selectmen**

**Mr. Walter motioned, seconded by Mr. Lyman that the following resolution be adopted:**

**Resolved, that the Board of Selectmen (the "Board") of the Town of East Haddam (the "Town") hereby adopts, and recommends to the Board of Finance, the following:**

- (1) That the Town of East Haddam (the "Town") appropriate the sum of \$733,955.56 to reimburse the project account related to the Town's Grade 4-8 Middle School Project for certain interest costs associated with its \$18,070,000 General Obligation Bond Anticipation Notes dated May 15, 2007 and which matured on May 15, 2008.**
- (2) That the First Selectman, or a majority of the Board of Selectmen, and the Finance Administrator (the "Officials") be authorized to perform all acts which are necessary or appropriate to accomplish the purposes of the foregoing.**
- (3) That, should the Board of Finance approve, the resolution for the appropriation of funds for the payment of the foregoing interest costs, as recommended above, the Board hereby calls a Special Meeting of the Town to be held on June 30, 2010 at the Town Hall on Town Street in the said Town of East Haddam, Connecticut at 8:00 pm in order to submit said proposed resolution to persons qualified to vote at such Town Meeting for their approval or disapproval, the notice of such meeting to be published as required by the Connecticut General Statutes.**

**At a meeting of the Board of Selectmen held on June 14, 2010, on a Motion duly made by Board Member Mark Walter and seconded by Board Member Emmett Lyman, the foregoing Resolution was adopted by the following roll call vote:**

<b>In Favor:</b>	<b>Walter, Govert, Lyman</b>
<b>Opposed:</b>	<b>None</b>

#### **Board of Finance**

**Mrs. Link motioned, seconded by Mr. Dutch that the following resolution be adopted:**

**Resolved, that the Board of Finance (the "Board") of the Town of East Haddam (the "Town") hereby approves the recommendation of the Board of Selectmen, adopted at its meeting held on June 14, 2010, and recommends to those persons entitled to vote at Town Meetings of the Town, the following:**

- (1) That the Town of East Haddam (the "Town") appropriate the sum of \$733,955.56 to reimburse the project account related to the Town's Grade 4-8 Middle School Project for certain interest costs associated with its \$18,070,000 General Obligation Bond Anticipation Notes dated May 15, 2007 and which matured on May 15, 2008.**

**(2) That the First Selectman, or a majority of the Board of Selectmen, and the Finance Administrator (the "Officials") be authorized to perform all acts which are necessary or appropriate to accomplish the purposes of the foregoing.**

**At a meeting of the Board of Finance held on June 14, 2010, on a Motion duly made by Board Member Susan Link and seconded by Board Member Bruce Dutch, the foregoing Resolution was adopted by the following roll call vote:**

**In Favor:                    Bennett, Dutch, Link Schwenzfeier  
Opposed:                    None**

**Mrs. Link motioned, seconded by Mr. Dutch to, upon Town Meeting approval of the appropriation of funds to reimburse the 4-8 Middle School Project, appropriate funds from the 4-8 Middle School Project in the amount of \$240,304 to reimburse the Reserves for Capital Projects Fund. The motion carried unanimously.**

3. Adjournment: Mr. Walter motioned to adjourn the Board of Selectmen meeting at 7:25 pm. Mr. Govert seconded the motion. The motion to adjourn carried unanimously.

Tape: None

Respectfully submitted,

Emmett Lyman, Secretary