

**TOWN OF EAST HADDAM
BOARD OF FINANCE**

June 14, 2010
7:00 pm
Grange Hall

Call to Order

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.

A special meeting of the Board of Selectmen was called to order by Mark B. Walter.

The Pledge of Allegiance was recited.

In attendance:

Board of Finance Members:

Bob Bennett
Bruce Dutch
Susan Link
Ed Schwenzfeier

Board of Selectmen Members:

Mark B. Walter, First Selectman
Emmett Lyman, Selectman
Peter Govert, Selectman

Others:

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

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:

In Favor:	Walter, Govert, Lyman
Opposed:	None

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.

Board of Selectmen:

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.

Mr. Govert and Mr. Lyman departed at this time.

Approval of Minutes

Mr. Bennett noted that minutes were presented for adoption:
Special Meeting May 3, 2010
Regular Meeting May 10, 2010
Special Meeting May 25, 2010

Mr. Dutch motioned, seconded by Mrs. Link to approve the minutes of the above-captioned meetings as written. The motion carried unanimously.

Correspondence

Nothing noted.

Chairman's Report

a. Tax Collector's Monthly Report:

The tax collection rate for 2009-2010 as of the end of May is 98.66%.

First Selectman's Report

a. Tax and Business Incentive Program Ordinance:

Mrs. Ziobron, Mr. Scherer and Mrs. Stricker were introduced and presented an overview of the program, how it will work, statutory guidelines, oversight measures and what area towns are doing. Mrs. Ziobron noted that East Haddam was purposefully more aggressive than its neighbors due to East Haddam's location. She also emphasized that any tax dollars generated under this program are new tax dollars

and, accordingly, the program does not have a negative impact to the current grand list. Questions were asked and answered. It was noted that applications received under this program will be reviewed on a case by case basis and will need approval of the Board of Finance and Board of Selectmen. Also included in the proposal is the option for the Town to waive its permitting fees to encourage property improvements that will facilitate business.

Mr. Bennett motioned, seconded by Mrs. Link to approve the Tax and Business Incentive Program Ordinance and to ask the Board of Selectmen to set a Town Meeting for approval. The motion carried unanimously.

Finance Administrator's Report

a. **Technology Update:**

Mrs. Varricchio advised that all licensing has been purchased and that the new server has been ordered and should be up and running shortly. She stated that the technology issues noted last month are being resolved and that most should be completed by year end.

b. **MAY YTD Budget Reports and Year-End Forecast:**

Mrs. Varricchio stated Technology is tracking to be over budget by \$30,000 as a result of improvements authorized by the Board in May. She noted that \$60,000 remains in contingency funds. She also advised that the Middle School appropriation approved earlier is the first special appropriation for this fiscal year. Mrs. Varricchio stated that all departments are working on getting in any encumbrances and that she will be busy generating year end reports and preparing for the auditors for next month.

c. **Recreation Commission Special Revenue Fund Draft:**

Mrs. Varricchio presented a draft procedure for the Recreation Commission Special Revenue Fund (a copy is incorporated into these minutes). She stated that the approved 2010-2011 Budget provided for Town Support to the Fund of \$25,000 and Recreation Revenues to the Town of \$40,000. The Board of Finance, as stated in the procedure, must establish an annual fund balance threshold.

Mrs. Varricchio indicated that with this procedure monthly reporting would be prepared for both the Board of Finance and Recreation Commission to track how the fund is doing.

Mrs. Varricchio recommended that the threshold for June 30, 2010 be set at \$50,000.

Mr. Schwenzfeier motioned, seconded by Mrs. Link to approve the Recreation Commission Special Revenue Fund procedures and establish the June 30, 2010 fund balance threshold of \$50,000. The motion carried unanimously.

Liaison Reports

Mr. Bennett reported that the Fire Department would like to use funds it had budgeted for fire ponds to replace its 5" hoses. He noted that several hoses failed during testing. Mr. Bennett added that they are not taking more funds than that which were budgeted, but are utilizing funds budgeted for fire ponds for a slightly different purpose.

Guests and Audience Comments

Nothing noted.

Unfinished Business

Nothing noted.

New Business

a. Town Website—Board of Finance:

Mrs. Varricchio presented a draft of Board of Finance information for posting on the Town's newly revised website under the Board of Finance. The Board had no changes to the draft. Mrs. Denette noted that a demonstration of the website will be held at 7:00 pm at the Middle School tomorrow evening.

b. Emergency Management Performance Grant:

Motion by Mr. Dutch, seconded by Mrs. Link to recommend that the Board of Selectmen schedule a Town Meeting for the acceptance of the State of Connecticut, Department of Emergency Management and Homeland Security FY2010 Emergency Management Performance Grant in the amount of \$4,093 (revenue budget 746-431510 and expense budget 746-531510). The motion carried unanimously.

c. Grant Agreement Patrell Property:

Mrs. Varricchio advised that on December 27, 2007 at Town Meeting the Town approved the purchase of the Sabine and Patrell parcels with an appropriation from the undesignated fund to be repaid upon bonding. A portion of the open space cost was bonded in May of 2008, the remainder to be paid from State Grants. The Town is receiving a grant in the total amount of \$275,000 for the Patrell parcel under the State of Connecticut Open Space and Watershed Land Acquisition Grant Program. The grant amount is greater than anticipated; resulting in an additional \$26,800 to the Town. Because the open space purchase was bonded; those additional funds will need to be used specifically for debt service as it relates to the Patrell parcel. The net amount of the proceeds \$247,500 to be received by the Town are to be shared between the Nature Conservancy, Lyme Land Conservation Trust and the East Haddam Land Trust. Lyme Land Trust has already received their proceeds in the amount of \$27,500.

Motion by Mrs. Link, seconded by Mr. Dutch to recommend to the Board of Selectmen the acceptance of the State of Connecticut Open Space and Water Shed Land Acquisition Grant program in the amount of \$247,500 (said funds to be distributed as follows:

The Nature Conservancy	41,250
East Haddam Land Trust	13,750
Town of East Haddam	192,500

To acquire permanent interest in land known as the Patrell Property, East Haddam OSWA 330 and to manage said land as opens pace pursuant to Section 7-131d of the

Connecticut General Statutes, and to ask the Board of Selectmen to set a Town Meeting for approval. The motion carried unanimously.

d. **Ambulance Association – Budget Transfer 2009-2010 from Capital to Reserves:**

Mrs. Varricchio reported that the 2009-2010 budget provided for a capital allocation in the amount of \$40,000 for the Ambulance Association, basically as a place holder for intended future funding. She indicated that during budget discussions it was noted that the Board would need to determine if the wished to approve a transfer from capital to reserves for the current fiscal year. The budget for 2010-2011 does provide for the \$40,000 under Ambulance Reserves.

Mr. Dutch motioned, seconded by Mr. Schwenzfeier to approve a budget transfer in the amount of \$40,000 for fiscal year 2009-2010 from Capital—Ambulance Association (845-534501) to Reserves—Ambulance Association (781-578325) and to ask the Board of Selectmen to set a Town Meeting for approval. The motion carried unanimously.

It was the consensus of those present to cancel the July meeting if nothing pressing requires action. If it is not feasible to cancel the meeting, it will be kept as brief as possible.

Mr. Dutch motioned to adjourn at 8:25 pm. Mrs. Link seconded the motion. The motion carried unanimously.

Respectfully submitted,

Deb Denette