

**TOWN OF EAST HADDAM
BOARD OF FINANCE
Special Meeting
March 21, 2013
Town Office Annex**

CALL TO ORDER

The special meeting of the East Haddam Board of Finance was called to order by Chairman Susan Link on Thursday, March 21, 2013 at 7:03 pm at the Town Office Annex.

The Pledge of Allegiance was recited.

In attendance:

Board of Finance Members:

Susan Link, Chairman
Robert Bennett
Daniel Alexander (arrived at 7:30 pm)
Bruce Dutch
Harvey Thomas (arrived at 7:10 pm)
Raymond Willis

Others:

Mark B. Walter, First Selectman
Emmett Lyman, Selectman
Cindy Varricchio, Finance Director
Denise Dill, Tax Collector
Dr. Mary Beth Iacobelli, Superintendent of Schools
Bryan Perry, Secretary Board of Education
Laurie Ault, Board of Education
Deb Fiala, Board of Education
Michael Sassi, Treasurer, Youth and Family Services

2013-2014 PROPOSED BUDGET

Youth and Family Services

Mike Sassi, Treasurer of Youth and Family Services reviewed their budget request, financial statements and staffing. Susan Link inquired about the increase to staffing costs and use of their fund balance. Mr. Sassi reviewed information with the Board (which will be emailed to Board members) to include the use of unrestricted reserve funds for two years for funding salary adjustments, and increased staff hours and drug counseling hours in coordination with the grant the agency has received.

Follow-up to prior meeting:

Tax Collector

Chairman Susan Link reviewed the analysis prepared with regard to the requested wages for the Tax Collector indicating that the request looks reasonable based upon a local survey.

Board of Education

Superintendent of Schools Dr. Mary Beth Iacobelli reviewed with the Board how the \$167,000 reduction to the Board of Education's technology budget request would be implemented.

- The 50 new high school laptops in the amount of \$55,700 would not be purchased.
- The refresh of 113 middle school desktops in the amount of \$104,299 would not be purchased and would be pushed out to future years.

Superintendent Iacobelli reviewed the technology requirements for student testing in 2015 and the need for technology resources for East Haddam's students.

Raymond Willis suggested not hiring a World Language teacher at the middle school. Superintendent Iacobelli responded that the district is reassigning people and that she does not anticipate reducing staff. She added that building on the World Language program at the middle school feeds the high school courses; especially around AP courses.

There was discussion regarding the staffing to student ratio; staffing positions and Board of Education policy regarding class size.

There was discussion with regard to the shared services budget and there was consensus to budget the salaries and benefits of technology services to the shared services budget as well as the finance and facilities director positions. There was discussion on the allocation of the positions to the town and education. The consensus was 50% for each director position and technology based on the number of staff members.

There was discussion with regard to the health insurance request for proposals and the hope for reduced costs.

Finance Director Cindy Varricchio reviewed with the Board the adjustments they had made at their March 19th meeting; along with additional reductions that the First Selectman is recommending as follows:

Expense		Revenue	
BOF Starting amount	29,303,035	BOF Starting amount	29,303,035
Adjustments:		Adjustments:	
• Central Services/Building Maintenance	(5,000)	• Reliance on Fund Balance	620,000
• Land Use Office-Clerical*	20,597	• Transfer from BOE Reserve	370,000
• Building Department-Clerical*	20,589	• Adjustment to Taxes	(1,178,276)
• East Haddam Free Public Library additional staffing	(10,400)		
• Recreation Commission-Clerical*	(20,598)		
• Recreation Commission-Special Revenue Fund	(5,000)		
• Police-Clerical*	(20,598)		
• BOE Technology Request	(167,866)		
Net BOF Budget After Adjustments	29,114,759	Net BOF Budget After Adjustments	29,114,759

Expense		Revenue	
First Selectman additional adjustments:		First Selectman additional adjustments:	
• Elimination of Human Resources position.	(75,000)	• Adjustment to Taxes	(222,134)
• Reduction to Fire Equipment Reserve**	(50,000)		
• Budget correction Town Technology	(97,134)		
Net Budget After Adjustments	28,892,625	Net BOF Budget After Adjustments	28,892,625
		Tax Increase	911,759
		Increase %	4.29%
		Proposed Mill Rate	26.30
		Current Mill Rate	21.52
		Proposed Mill Rate Increase	4.78

*per BOF individual departments restored to original staffing levels, staffing changes will need to be negotiated with collective bargaining.

**two fire truck purchase amounts have been reduced by a total of \$360,000.

Susan Link stated that she would like the reliance on fund balance reduced because it is reflected in future bond ratings.

Capital Projects and their funding sources were reviewed.

Bruce Dutch inquired of Board members what they felt would be an acceptable tax increase. It was noted that with adjustments the tax increase stands at 4.3%. There was consensus that an 8% tax increase was not acceptable. Mr. Dutch stated his support for a 5% tax increase. Harvey Thomas noted that there are not a lot of choices.

Board members inquired on various uses of fund balance scenarios and the corresponding tax increases; Mrs. Varricchio provided the following information:

Using \$300,000 of reliance on fund balance, resulted in a 5.8% tax increase

Using \$500,000 of reliance on fund balance, resulted in a 5.0% tax increase

Daniel Alexander stated that using \$500,000 of fund balance was too high. Mr. Alexander further stated that if there is less revenue we need to cut expenses and that we cannot rely on fund balance to the extent of \$500,000. He stated he is more comfortable with \$300,000 and eventually no fund balance. Mr. Alexander stated that more than 70 to 75% of the budget is to support education, plus facilities; providing a big "piece of the pie" to do shaving. Mr. Alexander stated that there was a good job done on part of the time.

Harvey Thomas asked that if the reliance was reduced by \$200,000 could it be shared proportionately by the Town and Board of Education. There was discussion that a \$300,000 savings in health insurance was already built into the budget as presented to the Board of Finance.

Motion was made by Bruce Dutch to recommend the budget with a 5% tax increase and a reliance on fund balance in the amount of \$500,000. Raymond Willis seconded the motion.

FAVOR: Dutch, Willis

OPPOSED: Link, Alexander, Bennett, Thomas

MOTION FAILED.

Chairman Link once again stated that she does not support the use of fund balance. She further stated that she was okay with the percent increase, but not using fund balance. Mr. Alexander asked what would need to be reduced to have the tax increase at 3%; the response was approximately \$875,000.

Mr. Willis spoke to the loss of revenues due to revaluation. Mr. Alexander stated that we need to cut. Mr. Dutch and Mr. Thomas reviewed possible opportunities for reductions to the road budget. Mrs. Link stated her opposition to cutting the road budget. There was further discussion with regard to reducing \$200,000 with proportionate allocation to the Town and the Board of Education.

The Board reviewed potential meeting dates for the following week and opted to keep deliberating on the budget. Mrs. Varricchio stated that there is \$300,000 in capital that would not be expended in the current fiscal year due to the Elementary School Roof not being done this year which will either revert back to the general fund or into a reserve fund (based upon Board of Finance and Town Meeting).

Mrs. Link stated her concern about the Board of Education spending funds I-pads; adding that she had been informed that parents cannot afford to purchase themselves. Mrs. Link went on to say that if people cannot afford I-pads, that she is concerned about raising taxes.

First Selectman Mark Walter stated that if required reductions would have to be made to fire, police, road maintenance and infrastructure. Mr. Walter further added that we have continued to make reductions, share staffing, share services and find innovative ways to provide services while cutting expenses, but the economy continues to be the challenge.

Motion was made by Harvey Thomas to recommend the budget with a \$500,000 reliance on fund balance with a corresponding reduction of \$200,000 split between the Town and the Board of Education. There was no second.

MOTION FAILED.

Mr. Dutch acknowledged the concern of drawing down the fund balance; and further acknowledged not spending the \$300,000 for the elementary school roof.

Motion was made by Bruce Dutch to recommend the budget with a reliance on fund balance in the amount of \$620,000. Raymond Willis seconded the motion.

Discussion: There was discussion as to what would need to be reduced to have a tax increase under 4%. Mrs. Varricchio stated that the amount necessary to reduce to achieve less than 4% would be \$80,000. Mr. Walter stated that to achieve a tax increase of less than 4% he would find some way to reduce the Town's budget by \$80,000 noting that the Board of Education budget request had been reduced by \$167,866 and acknowledging the need for a budget that could be supported at referendum.

Mr. Dutch withdrew his motion and Mr. Willis withdrew his second.

Robert Bennett stated that he felt more comfortable using the fund balance knowing that there is \$300,000 in capital funds that would not be expended this fiscal year.

Motion was made by Robert Bennett to recommend a budget with a 3.9% tax increase, relying on \$620,000 in fund balance with an anticipated \$80,000 reduction to the Town budget. Raymond Willis seconded the motion.

FAVOR: Bennett, Dutch, Thomas Willis

OPPOSED: Link, Alexander

MOTION CARRIED.

Motion was made by Daniel Alexander to adjourn at 9:30 pm. Raymond Willis seconded the motion and it was unanimously approved. Motion carried.

Respectfully submitted

Cindy Varricchio
Acting Clerk