

TOWN OF EAST HADDAM
BOARD OF FINANCE
Special Meeting
March 25, 2014
Nathan Hale-Ray High School Cafeteria

CALL TO ORDER

The special meeting of the Board of Finance was called to order at 7:02 pm by Secretary Robert Bennett.

The Pledge of Allegiance was recited and emergency exits were identified.

In attendance:

Board of Finance Members:

Susan Link, Chairman (arrived 7:04)
Robert Bennett, Secretary
William DiCristofaro
Bruce Dutch
Harvey Thomas (arrived 7:04)
Raymond Willis

Others:

Mark B. Walter, First Selectman
Emmett Lyman, Selectman
Deb Denette, Town Clerk
Denise Dill, Tax Collector
Sean Conroy, Board of Education Member
Tracy Gionta, Board of Education Member
Michael Werner, Board of Education Member
Mary Beth Iacobelli, Superintendent of Schools
Craig Mansfield, Director of Facilities and Operations
Cindy Varricchio, Finance Director
Alicia Dargenio
Janet Kelly
Jay Moreau
Chuck Smith
Patty Stricker
Xaykam Khamsyvoravong, Webster Bank

2014-2015 BUDGET

Emergency Management:

Mr. Mansfield noted that he has requested an additional \$5,000 for communication through KX. He noted that they are in the process of consolidating with another dispatch center and that it is the goal for member towns to work through. Responsive to inquiry from Mr. DiCristofaro, Mr. Mansfield advised that CRT training occurs in-house.

Police:

Mr. Mansfield reported that another full time police officer was originally requested, however, it is not in the budget. Instead funds for additional hours were included.

Mr. Mansfield noted that additional radios and radar units are needed to replace old and poorly functioning equipment. Mr. Mansfield noted that \$3,400 worth of radios were replaced this year due to savings realized while an officer was out on medical leave.

Responsive to inquiry regarding ticket income, Mrs. Varricchio reported that the Town receives approximately \$300 per quarter from tickets issued in Town. Tom Kelo was reported to be the new Resident State Trooper temporarily assigned to East Haddam. Responsive to inquiry from Mrs. Link, Mr. Mansfield reviewed prior and current staffing levels. Our crime statistics have greatly improved since the additional hours/officers were added.

Regarding capital projects for the police, cars were noted to be on a three year cycle. The next one to be replaced will be "handed down" to the Director of Public Works. SUV vehicles are now being purchased rather than sedans as there are all wheel drive, have more room and a higher clearance. The price differential was noted to be about \$1,100. It was noted that the Tahoe is still in service for pulling the boat, it was reported that the utility vehicles being purchased do not have the capacity to tow either the smart trailer or the boat. It was suggested by Mr. Bennett that a regular pick-up be utilized for towing when the Tahoe is no longer in service. Mr. Mansfield reported that Dodge has a police package that offers versatility that is being reviewed.

Considerable discussion was held regarding the radio system. Mr. Mansfield reported that a committee has been working on this project for nearly two years. It was noted by Board of Finance members that there are no set asides in this budget for this proposed \$4,000,000 project. Mr. Mansfield reported that the project can be phased in and is being designed to be buildable so that it is not obsolete by the time it is completed. The primary purpose is to address dead spots in town. Mr. Mansfield noted that it is hopeful that the project can piggy back on one that the state is undertaking to minimize costs.

Discussion was held relative to towers, revenue (approximately \$14,000) is received annually for the tower housed at the transfer station property. The middle school property was identified as a great location for a tower. Responsive to inquiry from Mr. Thomas, Mr. Mansfield reported that the police maintain its accreditation. Mrs. Link questioned why funding for the radio system project is not on the ten year capital plan. Mr. Walter reported that we know it's coming, we just do not know when or how large the scope could be. Mr. Walter reported that there are no recommendations at this time, he reiterated that we are waiting on the state system and their policies with hope that we can build on it.

Mr. DiCristofaro stated that he recognized that this was a big issue and he stated that he felt that we should be putting away funding for it. Mr. Mansfield added that there may be grant opportunities or USDA loans that can offset costs. Mrs. Varricchio reported that this is the year for the first ambulance purchase. She noted that the town has been reserving \$40,000 per year and this is year five and we are ready to purchase the vehicle. Mr. Bennett recalled that if over a certain amount of income is received by the Ambulance Association, funds revert back to the town. Mr. Walter reported that the contract will be up for negotiation again next year.

Debt Service:

The town's Financial Advisor, Xaykam Khamsyvoravong "Xay" of Webster Bank joined the Board at the table. He stated that he was asked to respond to the capacity that the town has to address large capital projects with its current debt service. He noted that the concept would be to build up debt service to avoid spikes when large projects come on board. He presented both 20 and 30 year scenarios. He suggested that debt service be carried at \$2,100,000 consistently. This year that would require an additional \$100,000 to be incorporated, as the debt falls off, the amount in reserves would increase. Creating more flexibility to fund projects and keep taxation flat. Mr. Bennett noted that the Board is very familiar with this scenario, as it was working under this practice when Mr. Fortier was Chairman. Mr. Walter reported that the problem with the "Mark Fortier Plan" as it has been called was that there was no written policy behind it, only a philosophy.

Xay suggested that to accommodate bigger projects the town could ramp up its contributions, such as \$2,100,000 this year and \$2,200,000 next year. He stated that following a 30 year repayment plan, the town could entertain \$21,000,000 in capital projects, following a 20 year plan, the town could entertain \$13,000,000 in projects. Xay reported that this would address "pinch point layering/leveling steps". Mr. Walter reported that present debt service has East Haddam in the middle of similar towns regarding debt to value ratio. He stated that with the projects that we have on the horizon, we will be at the high end. Xay reported if the town's rating lowers from AA to an A it will impact its cost to borrow.

Mr. DiCristofaro summarized that if we allocate reserves it will level out the mill rate so that when we need to start paying for the projects we do not have spikes in the mill rate to address them. He noted that the advisory groups that are working on projects need to know how much debt we can take on so that they can adjust their projects accordingly. Mr. Walter stated that another meeting is necessary with Board of Finance, Board of Selectmen, Elementary School Building Advisory Group and Municipal Facilities Building Advisory Group.

Xay left at this time.

Mrs. Varricchio reviewed changes to the budget. She noted that there has been a \$.29 reduction in oil prices resulting in a \$2,366 adjustment. Other adjustments were reviewed, including a \$50,000 reduction in technology for the Board of Education. Mrs. Varricchio encouraged the review of her summary sheets which include projections. She noted that the following assumptions were included in the summary: contingency fund remains unused at \$90,000. Local revenues are annualized and snow is \$20,000 over budget.

Mr. Willis noted that the discussion for the Board of Finance is what figure would pass at referendum. He stated that it is not going to fly to request a 10% increase in taxes over last year and then tell them we need another 10% for debt service. He noted that the present mill rate impact is 2.7% and that it does not include debt service. He questioned what the people would tolerate. Mr. Willis stated that he thought about it a great deal and he came up with a mill rate of 1.56% increase which would bring our mill rate from 26.01 to 27.57. He defined how he arrived at this calculation.

Additional discussion was held relative to the breakdown of the \$1,700,000 requested increase presented. Mr. Thomas likewise reviewed a calculation he had where he considered what he believed to be an acceptable mill rate increase (approximately 2 mills), subtracted out funding for debt service which left approximately \$400,000 new dollars for the Selectmen to spend where he felt most beneficial.

Mr. Dutch disagreed with backing into the number. He stated that he agreed with Mrs. Link that he would like to fund the increased contractual obligations of the Board of Education. Mrs. Link reviewed past years budgetary increases for the town and Board of Education. Mrs. Link stated that even if the Board of Education funding level remains where it is, it has still had additional funding as items pulled into Shared Services have come out of its budget. Mrs. Varricchio reported that Shared Services splits to about 60% utilized for education and 40% on the town. She reiterated that technology cannot be cut any lower or it will not be able to meet its matching grant requirements.

Mr. Willis stated that he felt that the staff to student ratio was outrageous. Mrs. Link concurred that she felt that the Board of Education needed to get its act together, however, she added that she felt that \$700,000 was too big of a hit. She also stated that she did not believe that a budget would pass if the Board of Education was impacted too hard. Responsive to concern raised by Mr. Willis, Mr. Walter reported that 109 towns had a higher mill rate than East Haddam out of the 169 towns that are in Connecticut. Mr. Willis also noted that commercial development does not exist here and people are reluctant to build million dollar homes, in particular he discussed the unsold lots at Fox Hopyard golf course.

Mr. Bennett commented that he felt that the Board of Education should be held to zero. He noted that they were advised of that last year and had opportunity to plan for it.

Mr. DiCristofaro stated that he concurred that backing into the numbers was an ideal way to determine the budget. He noted that he saw no point in scrutinizing over the Board of Education's line items when they are not statutorily allowed to determine what should or should not be funded. Mrs. Link stated that it sounds like there is consensus among the board on the following items:

- From where the biggest cuts shall come from
- Maintain \$296,000 in the budget as it results from new debt that we must pay
- Ramp up debt service to the \$2,100,000 level (pay and save so payments are more steady, an additional \$100,000)
- No more than a 2 mill increase

Mrs. Link questioned how much grant funding the town would be eligible for if the scope of the municipal facilities project were reduced to \$9,000,000. It was reported about 1/3. She noted that would equate to a \$12,000,000 project. She stated that would leave approximately \$4,000,000 to fix up the elementary school plus any grant funding that could be received. She reiterated Xay's report that the town can support \$13,000,000 in additional debt.

Mr. Mansfield reported that \$4,000,000 at the elementary school would represent a very short term solution. Roof replacement alone would cost about \$1,000,000. He also noted that the town would not receive the same reimbursement from the State with a band-aide approach. Mrs. Link recalled reserves for roof replacement at the elementary school had been set aside. Mrs. Varricchio reported that \$275,000 was in reserves for roof replacement last year but that it flowed back to reserves in light of the pending renovation project. Mrs. Link stated that she is supportive of quality facilities for our students, however, she stated that she felt that town offices should be the priority.

Mr. Willis inquired if we were now scrapping the long range plan. Mr. Walter stated that the building proposals address the majority of identified long term needs. He stated that it is now solved that we cannot fund the plan.

Mr. Thomas stated that he felt that the Board was within a stones throw of reaching a consensus. Mrs. Link reiterated that she did not believe in a zero budget for the Board of Education, but only because she did not think it would pass. She emphasized the declining enrollment. Mr. DiCristofaro noted that he agreed with public comments made that the level of administration was on the high side.

Mrs. Link reviewed comparisons between East Haddam to Portland, population was very similar. It was noted that on the town side, East Haddam operates with significantly less staff and less dollars. However, Portland's education system costs less (and operates two more schools than East Haddam.

Mrs. Link reiterated that a 2 mill increase was now the target. She encouraged Board members to consider what they would be willing to let go to meet that objective.

PUBLIC COMMENT

Tracy Gionta, 59 Main Street noted that people would not build million dollar homes in the town until the infrastructure was better supported. She noted unkempt fields, vacant and boarded up buildings, etc.

Mrs. Link stated that tomorrow and Monday were the next scheduled meetings. She noted that Monday is the latest date to make decisions. Mrs. Varricchio reported that she has to have the mailer ready to go to the printer on Friday in order to keep to the public hearing schedule.

Motion was made by Mr. Willis to adjourn at 9:15 pm. Mr. Thomas seconded the motion and it was unanimously approved. Motion carried.

Respectfully submitted,

Deb Denette
Town Clerk & Recording Secretary