

**TOWN OF EAST HADDAM
BOARD OF FINANCE**

May 14, 2012

7:00 pm

Nathan Hale Ray High School - Cafeteria

Call to Order

The regular meeting of the East Haddam Board of Finance was called to order by Chairman Paul Maxwell on Monday, May 14, 2012 at 7:03 pm at the Nathan Hale Ray High School cafeteria.

The Pledge of Allegiance was recited.

In attendance:

Board of Finance Members:

Paul Maxwell, Chairman

Daniel Alexander

Robert Bennett

Bruce Dutch

Susan Link

Harvey Thomas

Others:

Mark Walter, First Selectman (arrived 8:30 pm)

Deb Denette, Town Clerk and BOF recording secretary

Cindy Varricchio, Finance Director (arrived 8:15 pm)

Denise Dill, Tax Collector

Jim Ventres, Land Use Administrator

Beth Lunt, Public Works Administrator

Peter Simmons, Economic Development Coordinator

Scot Mackinnon, representing Agriculture Commission

Jess Stone, representing Agriculture Commission

Sam Guy, representing Moodus Reservoir Lake Association

Mitch Geer

Approval of Minutes

Motion was made by Mr. Bennett to approve the minutes of the April 9, 2012 Regular Meeting as presented. Mr. Alexander seconded the motion and it was. The motion carried with Mrs. Link abstaining.

Motion was made by Mr. Alexander to approve the minutes of the April 25, 2012 Special Meeting as presented. Mr. Thomas seconded the motion. The motion carried with Mr. Bennett abstaining.

Correspondence

Correspondence from Mr. John Matthew was received. The Chairman asked the Secretary to append the communication the meeting minutes.

Correspondence from Mr. Thomas was received. The Chairman asked the Secretary to append the communication to the meeting minutes.

Motion was made by Mr. Maxwell to alter the agenda to move New Business Item A—Moodus Lake Association Request up on the agenda to accommodate the guests. Mr. Dutch seconded the motion and it was unanimously approved. Motion carried.

New Business

a. Moodus Lake Association Request:

Sam Guy addressed the Board regarding a request for matching funding for a study on the health of the upper Moodus Reservoir. He noted that part of this study will be recommendations to reduce the growth of invasive species. Mr. Guy stated that funding was not included in the 2012-2013 budget. Mr. Maxwell noted that a request from the Moodus Lake Association was not received, he added, however, that \$5,000 was included in the 2011-2012 budget that has not been utilized. He noted that if the funds are encumbered, they can be matched with State funds to facilitate the study this summer. Mr. Maxwell stated that he recommends encumbering the funds. Encumbrances are carried forward at the July meeting. It was noted that Mr. Guy does not need to be present to facilitate the encumbrance.

Chairman's Report

a. Tax Collector's Monthly Report:

Mrs. Dill reported that this year collections are .03 behind where they have tracked the past two years. She stated that she anticipates two large collections to be made making her hopeful that a 99% collection rate will be reached.

The time line for establishment of the mill rate and its role with readying the tax bills was discussed. It was noted that the vendor will mail the bills this year.

New Business (moved up on the agenda)

d. Tax Suspense List:

Mrs. Dill noted that some real estate is on the suspense list because it was sold at a tax sale and the proceeds were not enough to pay the attorney's fees and the taxes owed. Mrs. Dill noted the benefit from the sale is that the properties are now under new ownership and it is anticipated that the new owners will pay the tax going forward. Mr. Maxwell inquired what the threshold was for a tax sale. Mrs. Dill responded \$10,000 in back taxes and/or three year's delinquency. Responsive to inquiry from Mr. Alexander, Mrs. Dill advised that 90% of the suspense list is motor vehicle and are not collectible because of reasons such as incarceration, death or relocation out of State.

Motion was made by Mr. Maxwell to approve the Suspense List in the amount of \$23,253.65. Mr. Bennett seconded the motion and it was unanimously approved. Motion carried.

Chairman's Report (continued)

b. Board of Assessment Appeals Adjustments:

The Board of Assessment Appeals Spring 2012 final report was reviewed by the Board of Finance. No comments or questions were raised. The Board's adjustments totaled \$460,920.

c. Harvey Thomas Correspondence: (addressed under correspondence).

First Selectman's Report

a. Public Works Excavator:

Mrs. Lunt noted that the unseasonably mild winter resulted in only 35% of the snow removal budget being expended. Accordingly she reiterated her request for the purchase of a mini excavator that was removed from the 2012-2013 budget request. She reviewed three equipment models and correspondence pricing. Mrs. Lunt recommended the purchase of the John Deere (\$62,982) because one of our employees is already well versed in repair and maintenance on the Deere. She also reviewed used models and noted that because of the warranty and the fresh history, she recommended new over used.

Discussion ensued regarding the cost of renting vs. purchasing. Mrs. Lunt noted the pitfalls with renting such large equipment regarding availability and planning and added that it would be a shame to rent it and not be able to use it due to weather or other factors.

Mr. Alexander opined that for the next nine to ten years it would appear to make more financial sense to rent the equipment rather than purchase and maintain it at a rental cost of \$3,500 per month if it were rented two months out of every year. He noted that to him convenience was not a compelling enough reason to expend \$62,000.

Motion was made by Mr. Maxwell to transfer \$62,982 from the Snow Removal budget to the capital improvements program for the purpose of purchasing an excavator for public works and to request that the Board of Selectmen schedule a Town Meeting for approval. Mr. Dutch seconded the motion.

**FAVOR: Maxwell, Dutch, Bennett
OPPOSED: Thomas, Link, Alexander
MOTION FAILED.**

Mrs. Lunt stated that it was more than a matter of convenience, but one of efficiency and cost savings. She cited a recent project a Sunset Acres that needed to be contracted out because we didn't have the proper equipment in house.

Mr. Dutch stated that he was in favor of the purchase and suggested that Mrs. Lunt document the costs associated with projects that have had to be subcontracted out vs. being able to do them in house with our own equipment and personnel. Mr. Maxwell stated that Mrs. Varricchio should be able to assist Mrs. Lunt with breaking

down the numbers. The recent project at Sunset Acres was noted to be a good project to break down.

Finance Director's Reports

Mr. Maxwell noted that Mrs. Varricchio has not arrived yet. He encouraged members to contact her with questions.

New Business

b. Agriculture Commission Grant:

Mr. Simmons noted the request to apply to the Department of Agriculture for a grant to install fencing at the Harris property. It was noted that the 10% matching component can be met with in-kind services, such as labor, etc. Responsive to inquiry from Mr. Bennett, it was noted that the scope of the project will be no more than what the State provides. A \$20,000 grant is being sought. It was noted that there is one 8-acre parcel and one 4-acre parcel, it is hoped to fence both parcels, however, if less funding than applied for is received, only one parcel will be undertaken.

The Board raised no objections to moving forward with the grant. Mr. Thomas noted that he is a member of the Agriculture Commission.

c. Proposed Open Space Acquisition:

Mr. Ventres came forward to present two proposed open space acquisitions. Mr. Thomas stepped outside at this time noting that he is a member of the Planning and Zoning Commission.

Mr. Ventres noted that a new round of grant funding is available through DEEP with a due date of June 28, 2012. He stated that a 40-45% reimbursement rate is anticipated. The two parcels were reviewed. The first parcel is 102.82 acres located on Florida and Clark Hill Road. Special features of the property were highlighted, including its 4,000' frontage on Roaring Brook and that it is contiguous to the Dean property. The purchase price would be \$525,000. Mr. Ventres noted that the property presently has a house, two barns and pens; however, the owner will remove the structures prior to closing. He noted that the property is the former home of the Fiala farm and added that power lines run through the upper third of the parcel. He noted that he is waiting on the development potential report for Planning and Zoning.

Mr. Bennett inquired about the location for public access to the parcel. Mr. Ventres showed him on the mapping. Mrs. Link inquired at what figure the appraisals valued the property. It was noted that the first came in at \$542,000 the second at \$505,000 and the value was split at \$525,000.

Discussion regarding forestry was held. It was noted that logging can be an income source if done properly. It was noted that the recently forested Nichols field netted approximately \$3,500, however, when the trees get too large they twist, making the harvested lumber less valuable.

The second property contains 238 acres and is located on Parker and Mill Road. The project cost would be \$1,000,000. The Land Trust has agreed to contribute \$35,000 to

the purchase. Mr. Ventres reviewed mapping documenting the open space areas. It was noted that the property contains scenic vistas and that the Connecticut River and Long Island sound can be seen from the property. The property also has 1500' frontage along Roaring Brook.

Mr. Casner stated that he looked at the Parker and Mill Road parcel for potential development about ten years ago. He stated that he couldn't make any money developing the parcel. He stated that the piece is largely ledge and what developable area exists would be too costly to get to. He stated that he felt that the million dollar price tag was absolutely crazy.

Mr. Alexander inquired whether \$4,200 an acre was a reasonable price for property with minimal development potential.

Mr. Ventres stated that he spent today on the parcel with an engineer and that a full report will be submitted to Planning and Zoning for its public hearing. He stated that the site does have development potential of 12-15 lots. Mr. Maxwell stated that he does not mind large parcels as those tend to not have an impact on the schools system; he also credited Mr. Ventres for the declining enrollment of the school system. Mr. Ventres noted the disadvantages to fragmentation of forest to wildlife habitat. He also noted the open space criteria and how the contiguous parcels meet that criteria. Lastly he noted that Whalebone creek is protected water shed and that the DEEP would score these parcels very high due to the fact that roaring brook feeds into it.

Mr. Casner stated his preference that if the Town is spending this amount of money it purchase something like Sunrise for the whole community to enjoy rather than buying rock piles. He questioned the potential market if the town doesn't purchase it and reiterated that developers don't want it. He reiterated that the property has been for sale for years. Mr. Ventres again cited the open space criteria and reiterated that the parcel meets the criteria. He stated that if it was located elsewhere, it would not score as well, adding that it is 238 acres next to 230 acres that are already preserved.

Responsive to inquiry from Mr. Alexander, Mr. Ventres advised that there are three or four more large parcels in the direct area. He also stated that the Town would be looking to bond for approximately \$900,000 if a 42% reimbursement was received. Mrs. Varricchio stated that the Town would not go to referendum until all costs were known. It was also noted that \$1.8 million dollars in bonding authority is still available from the 2003 bond authorization.

Mr. Alexander questioned why parcels in the Moodus area are not sought after as that is the population center. Mr. Ventres replied that from a Planning perspective, it is best to group parcels. He did advise that Sunrise, Machimoodus and the open space associated with the new school are all located in Moodus. Mr. Alexander noted that those parcels do not have the open space designation and cannot be hunted. Mr. Ventres cited the Town's Plan of Conservation and Development that identifies the zones for Town as to where smart growth should occur. Mr. Ventres noted the benefits to preserving the Eight mile River corridor as discussed in a federal study. He noted that Roaring Brook is just one hill over.

The process of bringing open space parcels to referendum was discussed. The Board of Finance raised no objection to applying for grant funding for the parcels.

Finance Director's Reports

a. BAN Update

Mrs. Varricchio advised that \$1,530,000 of bond anticipation notes were issued \$635,000 for the 4-8 middle school and \$875,000 for open space purchases. She noted that an interest rate of .349% was received. She noted that the only advantage to earning very little money on savings is that we are paying very little on funds borrowed.

b. April YTD Budget Report:

Mrs. Varricchio reported that she projecting a slight surplus for year end. She stated that she is hopeful that reimbursement funds from FEMA will be received shortly. Mrs. Varricchio stated that she anticipated a surplus on the Board of Education side as well.

New Business

e. Board of Education Capital Reserves Request:

The Board of Education has requested an appropriation from the Education capital reserve fund in the amount of \$35,000 for the purpose of completing the state-approved capital project of reconfiguring the High School well water system. It has also been requested that the Board of Finance approve a deposit in the amount of \$9,548.06 into the Education Capital Reserve fund which is the remaining balance from 2010-2011 encumbrances of unspent Board of Education funds. Mrs. Varricchio noted that any funds coming in or out of capital reserves requires action from the legislative body.

It was noted that expenses for ceiling repair at the High School auditorium were taken out of their operating budget. Mrs. Varricchio cited a similar situation with replacement of a storage shed.

Mrs. Varricchio added that the well issues at the high school were discovered through the development the 10-year capital improvement plan process, Mr. Walter added that the well presently runs all the time and has no prime should it shut down.

Motion was made by Mr. Maxwell to appropriate \$35,000 from the Board of Education Capital Reserve Fund to the Capital Improvement program for the purpose of improvements to the Nathan Hale Ray High School water system and to request that the Board of Selectmen schedule a Town Meeting for approval. Mrs. Link seconded the motion and it was unanimously approved. Motion carried.

Motion was made by Mr. Maxwell to approve the transfer of \$9,548.06 which represents the remaining Board of Education encumbrances from fiscal year 2010-2011 from the General Fund to the Board of Education Capital Reserve Fund and to request that the Board of Selectmen schedule a Town Meeting for approval. Mr. Alexander seconded the motion and it was unanimously approved. Motion carried.

Mrs. Varricchio reported that the Board of Education is meeting tomorrow evening and the Board of Education Finance Subcommittee will be to recommend the implementation of the

MUNIS software. The funding source for the purchase has been identified from three large capital projects that all came in under budget by \$250,000 cumulatively.

f. Fire Department Gift:

The volunteer Fire Department raised funds and purchased a 2012 Polaris Ranger all-terrain vehicle. The volunteers would like to donate this vehicle to the Town for use by the Fire Department.

Motion was made by Mr. Maxwell to approve the gift of a 2012 Polaris All-Terrain Vehicle with fire and rescue equipment from the East Haddam Volunteer Fire Department and to request that the Board of Selectmen schedule a Town Meeting for approval. Mr. Bennett seconded the motion and it was unanimously approved. Motion carried.

Mrs. Varricchio presented a proposal to perform a municipal and school district operations/shared services study from our auditors Blum Shapiro. Mrs. Denette requested a motion to add the item to the agenda.

Motion was made by Mr. Maxwell to add the municipal and school district operations/shared services study to the agenda for discussion. Mrs. Link seconded the motion and it was unanimously approved. Motion carried.

Shared Services Study

Mr. Alexander stated that he felt that this is a very worthwhile undertaking; however, he suggested that a key element to the success is the cooperation of a Superintendent. Mr. Walter stated that an interim Superintendent is anticipated to be in place at the time of Dr. Solek's departure. Mrs. Link inquired why a RFP was not issued. Mr. Walter stated that in other discussions with our auditor they advised that they have expertise in this area and offered this to us. Mrs. Varricchio stated that she was hopeful that this study could be completed prior to the audit. She further noted that this would be done by a different division of Blum Shapiro from the audit.

Mrs. Link expressed concern with what she identified as weak communication from Blum Shapiro in the past to relay poor processes. She opined that a full RFP would allow for freshness. Mrs. Varricchio responded that retaining someone familiar with our processes would enable them to hit the ground running.

Considerable discussion was held relative to the composition of Management Team discussed in the proposal. It was noted that this team of players is not identified. It was suggested that a "team" be established prior to moving forward in this direction.

Responsive to inquiry from Mrs. Link, Mr. Alexander stated that he is neutral on utilizing Blum Shapiro. He stated his belief, however, that they have competitors who would likely bid the project low as an in-road to future business. Mr. Alexander reiterated that he was in favor of moving forward with such a study, but added that he did not see any compelling reason to push it forward in the next eight to ten weeks. He further added that he felt Mrs. Varricchio had a lot on her plate with the shared new job, the upcoming audit and the anticipated software change at the Board of Education.

Mrs. Varricchio stated that she would prefer to get started prior to the audit. She also noted that the budget season for the Board of Education starts in September. Mrs. Varricchio stated that she was up for the challenge.

Mr. Thomas stated that he would like to see documentation of what actual savings would be with any recommendations made. He also stated that whatever management team is identified it should be no more than three or four members, any more slows the process. It was suggested that folks that have already done this study could tell you who and how many should be on the team.

Mrs. Varricchio was directed to speak to other towns and compile references and suggestions for going forward.

Motion was made by Mrs. Link to adjourn at 9:10 pm. Mr. Alexander seconded the motion and it was unanimously approved. Motion carried.

All were reminded that the budget referendum will be held on May 22 from noon to 8:00 pm and that there will be a special meeting immediately following the referendum to either set the mill rate or discuss other options.

Respectfully submitted,

Deb Denette

Cindy Varricchio

From: John Matthew <jbmatthew@saybrookresearch.com>
Sent: Monday, May 07, 2012 3:20 PM
To: financeadmin
Cc: admin
Subject: Budget Proposal Format

Hi Cynthia,

Firstly, let me say that in looking over our auditor's presentation of financial statements for the past several years, I believe that East Haddam's financial team has done a great job in prudently balancing essential spending with minimal increases in property tax burdens. I'm sure that all of our teachers and town employees have had to make sacrifices in order to make this possible. Thanks to all of you.

As you know, I have been concerned about the way that we have presented our budget summary in the "Citizen's Guide". Again, please understand that I am not suggesting that we change the detailed budget format, or that there is anything at all wrong with the actual numbers that were included in the summary. It is the presentation of the numbers that I find quite misleading. Specifically, the expressed (and highlighted in bold type) estimate of a 2012-2013 expenditures budget that is 8.3 % less than last year's expenditures budget is particularly misleading. I do not dispute the accuracy of the individual entries in the list, or the total. I simply feel that it adds apples to oranges, and gives a dramatically distorted picture of what we are asking our residents to approve. I hope you will be able to ask the auditors when you meet this week, what might be a better way to summarize the budget details so that we all have a clearer picture of what is being proposed (without having to examine the detailed line items).

Perhaps, the summary could take the form of the sources and uses table (Table 2) that the auditors use in each year in the "Management's Discussion and Analysis" section of the review. A specific line for Interest Expense might be helpful. Separate lines could list Major Capital Additions anticipated in the budget year, and estimated Total Liabilities and Long Term Debt at budget year end. If we could present a five year history on each of these items it might also make forecasting much easier.

In any case, I hope that you will seek the advice of the auditors in setting up this exceedingly helpful summary of what the proposed budget would likely do to our financial position. I know that you must be very busy with your new responsibilities at the Board of Ed, but I hope you will be able to spend a few minutes with this, and let me know what you all decide.

Thanks,

John Matthew
150 Creek Row

p.s. Cynthia - could I ask you to forward a copy of this email to Paul Maxwell, and whomever else you think might be interested or want to comment. Thanks.

Chair: e

To: My Board of Finance Colleagues
From: Harvey Thomas
Date: March 30, 2012
Subject: 2012 -2013 East Haddam Budget

I regret that I could not vote in favor of the FY 2012-2013 budget.

A budget spells out the financial implications of a plan. At a time when East Haddam faces both challenges and opportunities, this budget reflects **no** strategic plan to address those challenges and opportunities. This budget merely endorses the status quo in the hope that we can some how simply muddle along.

For example:

1. There is ~~no plan for~~ or resources allocated to ~~any~~ disposition of the old middle school. No resources for converting it into new Town Offices, no resources for converting only part of it into Town Offices, no resources for any other possible use and not even resources for demolishing it. This budget simply calls for letting the old middle school continue to deteriorate, fall in upon itself and disappear from the radar without ever giving the taxpayers the opportunity to decide for themselves what to do with this multimillion dollar asset.
2. Despite much rhetoric about the revitalization of East Haddam Village, this budget reflects ~~no significant financial commitment to that goal~~. Relocation of the Town Offices is key to any opportunity to revitalize East Haddam village. Not only does this budget not allocate any resources to a convert the old middle school into Town Offices, it includes no resources to aggressively pursuing **any** plan to turn one of the last prime river front properties into an economic asset for the town.
3. Moodus Center is the logical commercial hub of our community. This budget makes no provision for town support to expand, revitalize, reinvigorate or make more attractive the town's commercial center.
4. Unfortunately, our town has a number of vacant and deteriorating commercial properties. This budget reflects no town support to help restore, remodel or market these once productive resources.

In short, **this budget spells out no strategic vision for our town**. By ignoring the important challenges and opportunities we face, it represents an abdication of our responsibilities as townspeople and a dereliction of our duty as elected officials. Consequently, I cannot vote to support the FY 2012-2013 budget as presented.

