

**TOWN OF EAST HADDAM
BOARD OF FINANCE**

April 12, 2010
7:00 pm
Grange Hall

Call to Order

The regular meeting of the East Haddam Board of Finance was called to order by Chairman Paul Maxwell on Monday, April 12, 2010 at 7:01 pm at the Grange Hall. The Pledge of Allegiance was recited.

In attendance:

Members:

Paul Maxwell, Chairman
Bob Bennett
Matthew Budzik
Bruce Dutch
Susan Link
Ed Schwenzfeier

Others:

Mark B. Walter, First Selectman
Deb Denette, Town Clerk and BOF recording secretary
Cindy Varricchio, Finance Administrator
Emmett Lyman, Selectman
Rob Smith, President – East Haddam Land Trust
Will Brady, Chairman Open Space Committee
Jim Ventres, Land Use Administrator
Nancy Haslam, Chairman Board of Education
Deb Fiala, Board of Education
Wyley Peckham
Reporter (Kelly Nolen
Reporter Jeff Mill

Approval of Minutes

Mr. Maxwell noted that six sets of minutes were presented. As no one had thoroughly reviewed the minutes, the following motion entered.

Motion by Mr. Bennett, seconded by Mr. Dutch to table the minutes of the following meetings:

**Regular Meeting March 8, 2010
Special Meeting March 16, 2010
Special Meeting March 24, 2010
Special Meeting March 29, 2010
Special Meeting March 31, 2010
Special Meeting April 5, 2010**

The motion carried unanimously.

Correspondence

Mr. Maxwell reviewed a letter he received from Janet Tucker, former Tax Collector. The letter noted the importance to the Town to maintain a full time Tax Assessor and noted support for Loreta Zdanys as the best Assessor Mrs. Tucker ever worked with. The letter questioned the soundness of the decision with a revaluation upcoming in 2012 and a part time assistant that does not work Fridays. The letter is on file in the Town Clerk's Office with the minutes.

Chairman's Report

a. Tax Collector's Monthly Report:

No questions were raised.

b. Appointment of Auditor:

Mr. Maxwell motioned, seconded by Mr. Schwenzfeier to appoint Blum and Shapiro as the East Haddam auditor for a one-year contract extension for the 2009-2010 fiscal year. The motion carried unanimously.

Mr. Maxwell advised that the Middle School Conversion Committee has invited the Board of Finance and the Board of Selectmen to its meeting of April 26th.

First Selectman's Report

Mr. Walter distributed an article from *Connecticut Economy Magazine*. He stated that he does not wish to be doom and gloom at each meeting, however, he reviewed some information as cited in the article, in particular the State's unfunded liability now exceeds \$61 billion dollars. Mr. Walter added that opening liquor stores on Sunday and additional taxes to the hotel industry will not solve the State's deficit woes.

Finance Administrator's Report

a. March YTD Budget Reports and Year-End Forecast:

Mrs. Varricchio reviewed the reports. She highlighted the following:

Expenses:

- savings from insurance are anticipated
- there are overages in the legal line

Revenues:

- Town Aid Roads was budgeted at \$122,595 and \$169,000 was received
- LOCIP funds have been applied for but not received
- A approximate \$6,000 refund was received from The Hartford for a surety bond on the Tax Collector
- \$28,000 in BOE accounts payable was released from the 2008-2009 budget
- \$1,500 was recaptured in legal costs from the Tax Collector
- Snow removal costs were kind this year

b. **Bonding Update**

Mrs. Varricchio stated that a decision has been made to roll the BANs. She briefly explained that in 2008, the Town over borrowed approximately \$2 million for the new middle school project. It is her understanding that this was done because of potential delays in State reimbursement. In addition, the May 2008 interest payment was made directly from the project fund and not the 2008-2009 operating budget where it was budgeted; and funds were transferred to the project from reserves without appropriate approvals. We have paid down \$1.3 million of the \$2 million. We will need to do an additional pay down in August when the project is bonded. The project is now considered over budget as a result. Bond counsel has indicated that a special appropriation will need to be made to rectify this situation. We are completing a final project evaluation and anticipate that the special appropriation will be in the range of \$450,000 to \$700,000 (depending whether the Board of Finance chooses to repay to the reserve fund for the funds inappropriately transferred from it to the project). Mrs. Varricchio stated that it is unfortunate this situation has caused the project to be considered over budget, because the Building Committee was very diligent and under budget in their oversight of the project. Mr. Maxwell clarified that the funding is in place, it was, however, drawn from inappropriate sources without proper approvals. Mr. Maxwell stated that bonding is on hold pending correction of the problem in a manner which will satisfy the auditors. Responsive to inquiry from Mr. Budzik, it was noted that the interest payment was made in May of 2008.

c. **Technology**

Mrs. Varricchio advised that funding is in the 2010-2011 budget for a change over in the Town's server for the accounting system. Presently the accounting server is in need of replacement, the recommendation is to contract the service out, which will allow for virtual server for the accounting system. This will also eliminate the need to ever replace a server. Mrs. Varricchio stated that in year one there is additional cost, however, those costs come down and generate a return by year three. Mrs. Varricchio stated that, assuming that no unforeseen technology issues arise prior to year end, there should be sufficient funding available in the technology budget to expedite the project into this year's budget. There was no objection.

Liaison Reports

None.

Open Space

Mr. Maxwell requested a motion to add discussion regarding open space to the agenda.

Mr. Bennett motioned, seconded by Mrs. Link to add open space to the agenda. The motion carried unanimously.

Mr. Ventres stated that the State Department of Environmental Protection has re-opened its grant program for open space purchases and are offering grants of up to 45%. He explained that funding, collected by Town Clerks pursuant to PA-09-229, could not be absorbed into the general fund as attempted by the State. Mr. Ventres described the two properties with the use of maps; the first being known as the Harris property (135 acres on Mt. Parnassus Road). Mr. Ventres stated that the proposal is to carve 18 acres out of the parcel that is

located in the geographic center of the Town and reserve it for future potential municipal use, such as fields, Town fair site, fire house, etc., and dedicate 117 acres for open space.

Mr. Ventres stated that a negotiated price of \$550,000 has been reached. The value of the 18 acres has yet to be established. Responsive to inquiry, Mr. Ventres advised that to preserve the future potential for municipal use, the 18 acres cannot be dedicated as open space and will not be reimbursable.

The second piece is 280 acres of conservation farmland presently owned by the Dean family. The estimated value is \$750,000. Mr. Ventres reviewed the trail ways already established, access points and other contiguous parcels. Mr. Ventres noted that the cost to the Town for both parcels would be approximately \$850,000 for \$1.3 million worth of property. He estimated that the mill rate impact would be .04 or \$8.00 to \$12.00 per year per home owner for the next twenty years. Mr. Ventres reviewed the development potential for both sites.

Responsive to inquiry from Mr. Maxwell, Mr. Ventres stated that the application deadline is May 3rd. He would like Board of Finance authorization to seek the grant, no financial commitment from the Town is necessary until after a grant is awarded, and the normal approval processes of Board of Finance, Board of Selectmen and Town Meeting would be necessary. Mr. Ventres stated that the only costs associated with moving forward would be for appraisals to determine worth. Mapping would ultimately be required, but not until approvals are granted.

Mr. Budzik motioned, seconded by Mr. Maxwell to authorize applications to the Department of Environmental Protection Open Space and Watershed Land Acquisition Grant Program for the Dean and Harris properties. The motion carried unanimously.

Rob Smith, President of the East Haddam Land Trust advised that the East Haddam Land Trust has entered into an option agreement with the Bogan's to purchase 45 acres in Moodus. The purchase will protect 3,200 linear feet of the edge and wetlands of the Moodus River. Mr. Smith stated that the site has an estimated 14 lot potential. The Land Trust is hopeful that it could obtain a grant in the maximum amount of \$200,000 from the Town. It also plans to pursue grants from other sources. Mr. Smith stated that its option is for one year with a one year extension, he noted that fund raising endeavors are being planned. Mr. Smith stated that he hoped that \$200,000 would be the worse case scenario, and hoped the final request would be closer to \$50,000. Mr. Maxwell inquired what other partnerships of this type had occurred. Mr. Smith advised that this is the first where the Land Trust has taken the lead, he advised, however, that it has partnered with the Town on other purchases.

Mr. Bennett inquired what would happen if at Town Meeting the Town voted no. Mr. Smith stated that the Land Trust would have to dig deeper. Mr. Smith stated that this parcel has been a priority for a very long time as it protects the Moodus River, which has been a 30 year goal. Mr. Bennett inquired when the Land Trust would know the exact dollar figure for the Town commitment it would need, based on other grant funding and fund raising efforts, Mr. Smith stated that as the grants are staggered, it would realistically be next spring. He stated that he was looking for a letter of support from the Board of Finance. He said that the Land Trust also has the May 3rd deadline to apply for the Department of Environmental Protection Open Space and Watershed Land Acquisition Grant Program.

He stated that the letter of support should recognize the value of pulling ten lots out from development, protect the Moodus River, and create a linear park. He stated that the goal of creating a linear park was identified in the Plan of Conservation and Development in 1981

and was part of the Redevelopment Plan of Moodus in 1967. Mr. Budzik stated that as a former Director of the Land Trust, this particular parcel has been in the works for a long time. He noted the historical nature of the site as the home of former mills and wood dams. Mr. Smith noted that two walks are planned for this weekend on the site.

Mr. Brady added that the Land Trust has been working with the Open Space Committee and the property is noticeably cleaner as the old farm property had been an area of refuse.

It was suggested that Mr. Smith draft a letter for Board of Finance consideration. It was noted that the Board of Finance would be having a special meeting on April 26th and could act on the letter at that meeting. Mr. Smith stated that would be sufficient for him to meet the application deadline.

Guests and Audience Comments

None.

Unfinished Business

a. Board of Selectmen 2010-2011 Proposed Budget:

Mr. Maxwell summarized that at the direction of the Board following the last meeting, he, Dr. Solek and Mrs. Haslam executed and delivered a letter to Bonnie Barnes, representative of the Teachers Union requesting a meeting at their convenience. Responsive to that letter, a meeting was held last Thursday at 4:30. Mrs. Link, Mr. Budzik and Mr. Schwenzfeier tried to attend the meeting on behalf of the Board of Finance, but were not allowed to be present by the CEA, Mr. Perry, a Board of Education member, was also asked to leave. Mr. Telep asked Mr. Maxwell to sign an agreement that the discussions of the meeting would not be made public, Mr. Maxwell refused. The Teachers met in another office and ultimately decided to continue. The Executive Board stated that they planned to meet with the Teachers on April 19th and bring forth three different money saving scenarios for consideration. At this time, there is no indication as to what the options are, or what their financial impact would be. Mr. Maxwell stated that the Executive Board wanted to talk about the reserve funds; which was outside of the established discussion points for that meeting. Mr. Maxwell invited Mr. Telep to come to this meeting, where such talks could occur in public. Mr. Telep declined the invitation after consultation with his colleagues. Mr. Maxwell inquired if that was a fair recital of the meeting? Mrs. Haslam replied that it was very accurate.

Mr. Bennett stated that he is not happy with the idea of taking money out of reserves. He noted that having the fund balance cuts the peaks. Mr. Bennett stated that he did not have the answer. He just was not pleased to be tapping reserves. There were no other concerns raised on the Town side of the budget.

Discussion returned to the Board of Education side of the budget. Mr. Schwenzfeier stated that he would like to see a number that is somewhere in the middle of 0% to 2.51%. He noted the difficulty in not knowing what, if anything, the Unions would agree to. He inquired what the process was. Mr. Maxwell stated that someone would make a motion, there would be a second and discussion and a vote taken. He stated his preference with the following motion:

Mr. Maxwell motioned, seconded by Mr. Dutch to send forward a total Town budget of \$27,151,262; representing \$9,375,581 for Town Government and \$17,775,681 for the Board of Education.

Discussion regarding the timing was held. Mr. Budzik stated that he felt a decision needed to be made tonight. He added that he was not happy with what the Union has done and stated that they have not been a good partner. He raised concern that they are looking at the Town's reserves, which is not the purpose of public money. He added that he is not willing to take out his anger toward the Teachers Union on the kids.

Mr. Dutch stated that he does not look at it that way. He stated that he looks at it as a financial decision. He stated that how the Board chooses to spend the funds allocated is their business, if it punishes the kids, it is not the Board of Finance's doing. Mr. Dutch added that the Board of Finance is more worried about losing Teachers than the Teachers. He also added that last week the three people that were supportive of the full Board of Education budget were kicked out of the meeting room.

Mr. Budzik stated that he is not angry or insulted, however, he recognizes that the Teachers Union is being very irresponsible in insisting upon a 3.5% increase for the past two years in these economic times. He stated that when the contract goes to arbitration, it should work in the Town's favor that the Unions did not play nice. He added that Thursday's meeting could not have started off any worse than it did.

Mr. Maxwell stated that after the Public Hearing if the Board of Finance feels swayed to put more funding into the Educational budget prior to sending it to referendum it can. He added that he may be willing to add funding back if the Teachers come up with something. Mr. Schwenzfeier felt a 0% budget would cause more conflict and that no offerings would come forward. Similarly he stated that he felt that no offerings would come forward if the full request were awarded.

Mr. Bennett stated that he does not want to take anything out of the Board of Education's pocket, but is trying to keep it from putting additional money into its pocket. He stated that if they gave up a couple of furlough days, they would still have their increases. There was discussion on what a furlough day would mean. Mrs. Haslam stated that the furlough days would come either at the beginning or end of the school year where typically professional development occurs; and would not impact school days.

Mrs. Link stated that she is concerned for next year. She reiterated that 80% of the Board of Education expenditures are for salary and benefits. Cuts mean loss of staff. Mr. Dutch added that this figure is the starting point for next year, the figure cannot go down and that adding \$400,000 to it ties our hands for next year. Mr. Schwenzfeier suggested that \$120,000 be cut from the budget request. He identified his logic for the figure proposed.

Mr. Dutch motioned, seconded by Mr. Bennett to move the question. The motion carried unanimously.

Mr. Maxwell reiterated the motion on the floor:

To send forward a total Town budget of \$27,151,262; representing \$9,375,581 for Town Government and \$17,775,681 for Education.

FAVOR: Mr. Bennett, Mr. Dutch, Mr. Maxwell
OPPOSED: Mrs. Link, Mr. Schwenzfeier, Mr. Budzik
Motion failed.

Mrs. Link motioned, seconded by Mr. Schwenzfeier to send forward a total Town budget of \$27,429,085 representing \$9,375,581 for Town Government and \$18,053,504 for Education.

Mrs. Varricchio noted that the Board of Education proposal amount was net of reductions for diesel and fuel oil. It would represent a mill increase of .28%. Mr. Walter noted that general government decreased by \$350,000 and due to Education and reduced revenues the Town is still looking at a mill rate increase.

Mr. Budzik noted he would not support anything but the full request from the Board of Education, which is already a cut from what the Superintendent proposed. He stated that there is no guarantee that the Unions will give back anything and he stated that he will not take text books from kids because the Unions are being jerks. Mr. Dutch disagreed; stating that if the Board receives the funding it requested, why would the Unions concede to anything? Mr. Budzik noted that funding could be removed or restored after the Public Hearing.

Questions again arose regarding timing. Mrs. Haslam reminded the Board that the Teachers are under contract, and that the meeting will occur on April 19th, the first day back from Spring break. Mr. Walter noted that last year he negotiated with five Unions in a few weeks. He stated that negotiations do not need to take long, he stated, however, that they may if the Teachers Union chooses it to. Mrs. Varricchio reviewed the timing necessary to move forward with a Public Hearing on either April 22 or April 29th.

Mrs. Link reiterated that she did not think the incentive to the Unions needed to be 0%. She noted that perhaps \$200,000 was a better figure. Mr. Maxwell reiterated the motion on the table as follows and called for a vote:

To send forward a total Town budget of \$27,429,085 representing \$9,375,581 for Town Government and \$18,053,504 for Education.

FAVOR: Mr. Schwenzfeier, Mrs. Link
OPPOSED: Mr. Bennett, Mr. Budzik, Mr. Dutch, Mr. Maxwell
Motion failed.

Responsive to inquiry, Mr. Budzik reiterated that he will support nothing more than the full budget requested by the Board of Education and reiterated that said budget was already cut by 2.5% from what the Superintendent presented as necessary to run the districts school system. He stated that if we want to save money on what we pay the Teachers, the process is the collective bargaining that will occur next spring.

Mrs. Link stated that the Unions are waiting for the Town to put forth a number, she disagreed that proceeding in the manner suggested by Mr. Budzik will not bring anything forward. She stated that the school is part of the community and while

cutting Education is not fair to the children, adding in nearly \$500,000 for raises is not fair to the rest of the community. She added that Teachers are part of the community. Mr. Maxwell suggested Mr. Budzik put forward a motion regarding what he would be willing to support.

Mr. Budzik motioned, seconded by Mrs. Link to send forward a total Town budget as recommended by the Board of Selectmen and the Board of Education.

FAVOR: Mr. Budzik

OPPOSED: Mr. Dutch, Mrs. Link, Mr. Schwenzfeier, Mr. Bennett, Mr. Maxwell
Motion failed.

Mr. Maxwell reviewed the communications he had with Union personnel. Mr. Schwenzfeier reiterated his belief that the figure submitted should be something between 0% and 2.51%.

Mrs. Fiala stated that a lot of the Teachers have ideas for additional savings, however, those ideas have not been agreed to by the Principals or Superintendent. Mr. Bennett inquired if anyone was leaning a different way now that votes have been taken three different ways and the split is growing greater. Mrs. Link noted that an increase of approximately \$60,000 would represent an expense neutral budget. She then noted frustration that the Town has cut \$350,000 from its side of the budget to fund raises for educational staff.

Mr. Dutch motion, seconded by Mr. Maxwell to send forward a total Town budget of \$27,271,262 representing \$9,375,581 for Town Government and \$17,895,681 for Education and any subsequent savings generated by concessions made from staff shall be appropriated to the Board of Education.

Mr. Budzik stated that in an effort to break the stalemate he will vote in favor of a \$60,000 reduction from the \$397,000 BOE figure, and after the Public Hearing will make argument to have it restored. He stated that he would not support the motion on the floor.

Mr. Schwenzfeier stated that he liked the motion, but not the number. Mrs. Link suggested \$200,000, meeting in the middle. She also inquired what could be done if concessions are not brought forward.

Mrs. Varricchio stated that a special appropriation would be the mechanism to achieve the motion presented. The difference between the \$120,000 and \$200,000 was noted to represent a .12 mill and .2 mill increase.

Mr. Maxwell called for a vote on the motion on the floor.

FAVOR: Mr. Dutch, Mr. Maxwell, Mr. Bennett

OPPOSED: Mr. Budzik, Mrs. Link, Mrs. Schwenzfeier

Mrs. Link motioned for a \$200,000 decrease to the Board of Education budget as presented with the caveat that any subsequent savings generated by concessions from staff shall be appropriated to the Board of Education.

Mr. Budzik reiterated that after the Public Hearing the budget can be amended. He suggested that perhaps the 0% increase budget was the best one to bring forward. He stated that he will endeavor to get it back up after the Public Hearing. He stated that as long as there are three votes adamant about 0%, sending it to Public Hearing with the intent to lobby at that time is the same as delaying the vote waiting to see what the Unions may offer.

Mr. Schwenzfeier noted if someone were to abstain that would break the deadlock. Mr. Maxwell stated that someone whose wife was a non-tenured teacher might consider doing just that.

Mr. Maxwell re-offered his original motion:

Mr. Maxwell motioned, seconded by Mr. Budzik to send forward a total Town budget of \$27,151,262; representing \$9,375,581 for Town Government and \$17,775,681 for the Board of Education.

Mr. Budzik stated that as long as we are at 0%, he won't go to Town Meeting; he will go to Public Hearing but not to Town Meeting.

Mr. Maxwell called for a vote:

FAVOR: Mr. Maxwell

OPPOSED: Mr. Budzik, Mrs. Link, Mr. Dutch, Mr. Bennett, Mr. Schwenzfeier

MOTION FAILED:

Mr. Dutch motioned, seconded by Mr. Maxwell to increase the Board of Education budget from last year's amount by \$120,000 with the caveat that any give backs by Union go back into the Education budget.

FAVOR: Mr. Maxwell, Mr. Dutch, Mr. Bennett

OPPOSED: Mr. Budzik, Mrs. Link

ABSTAINED: Mr. Schwenzfeier

Motion carried.

Unfinished Business

a. Tax Suspense List

Motion by Mr. Budzik, seconded by Mr. Bennett to approve the Tax Suspense List in the amount of \$15,585.15 as presented. The motion carried unanimously.

b. Tax Collector Additional Funding Request—Postage:

Mrs. Varricchio asked if the Board recalled Mrs. Tucker coming forward last year for an additional appropriation for the tax bill mailing, as appropriate funds were not in the budget. The same problem was carried forward, and an additional appropriation was required. The 2010-2011 budget provides for additional postage so that this does not occur again next year.

Motion by Mr. Budzik, seconded by Mr. Schwenzfeier to appropriate transfer \$2,500 to the Tax Collector's budget for postage from Contingency. The motion carried unanimously.

Mr. Budzik motioned to adjourn at 9:45 pm. Mrs. Link seconded the motion. The motion to adjourn carried unanimously.

Respectfully submitted,

Deb Denette