

**EAST LYME BOARD OF FINANCE
REGULAR MEETING MINUTES
Wednesday, MAY 11th, 2016**

Members in Attendance: Lisa Picarazzi, Acting Chairman
Camille Alberti
Beth Hogan
Jason Pazzaglia
William Weber

FILED IN EAST LYME
CONNECTICUT
MAY 17 2016 AT 10:00 AM/PM
Jill...
EAST LYME TOWN CLERK

Also In Attendance: Scott Bassett, RSM LLP
Mark Nickerson, First Selectman
Anna Johnson, Finance Director

Absent: Steve Harney, Chairman

A. Call Meeting to Order

Acting Chairperson Picarazzi called this Regular Meeting of the East Lyme Board of Finance to order at 7:03 PM.

B. Pledge of Allegiance

The Pledge was observed.

C. Delegations

Ms. Picarazzi called for delegations.
There were no delegations.

D. Approval of Minutes

▪ **Regular Meeting – April 13, 2016**

Ms. Picarazzi called for a motion for approval or any changes to the Board of Finance Regular Meeting Minutes of April 13, 2016.

Ms. Alberti said that she had not read them yet and asked that they table all of the minutes to the next regular meeting.

****MOTION (1)**

Ms. Alberti moved to table approval of the minutes until the next regular meeting of the Board.
Mr. Weber seconded the motion.

Mr. Nickerson said that they would not receive copies again and that they should bring these to their next regular meeting as there was a considerable amount of paper involved in the copies which they already have.

Ms. Johnson said that she would put a reminder note in the next meeting packet so that they bring them.

Vote: 5 – 0 – 0. Motion passed.

- **Public Hearing – April 25, 2016**
- **Special Meeting – April 25, 2016**

E. Reports

◆ **Scott Bassett – June 30, 2015 Audit**

Scott Bassett, RSM LLP said that the RSM LLP is just a name change. He said that the Town was given a clean, unqualified opinion for the year. He noted that they had planned on using around \$900,000 of fund balance but only used \$300,000. The Tax Collector had a good year and there was discipline shown in the operation of the pension plan where they average around 77% and most are around 70%. The 77% is a

solid number. The tax collection rate, fund balance and the pension plan management are important and are what is looked at. The fund balance is at 8%. The general ledger system of pulling everything together continues to be an issue. The rating agencies look at the fund balance.

Ms. Alberti said that figure was as of a year ago and asked what it is now.
Ms. Johnson said that she would answer that when she gives her report.

Mr. Weber asked about the large number - \$3.9M in bonded capital projects on Page 16.
Mr. Bassett said that there is still \$1.6M in it left to be spent and that it really is a matter of timing.

Mr. Bassett noted that the internal service fund is based on insurance claims and suggested that it be tracked closely as if they have a bad year it would be easy to send this in the other direction. Pages 22 & 23 relate to the pension fund and as he noted previously they are 77% funded and most plans across the State are around 70% funded.

For the Federal and State Financial and Compliance Reports a clean unmodified opinion was also received. A finding was the cumbersome job of culling/pulling all of the information together to be able to get things done. The Tax Collector system was commented on regarding the number of transactions required to recreate the system with no back-up from the crash. Recovery issues need proper back-up.

The Board thanked Mr. Bassett for his overview.

◆ **First Selectman**

Mr. Nickerson reported the following:

- The BOE is considering what to do with the elementary schools. The Board of Selectmen took a tour of the schools last week and they have arranged for this Board to take a tour of the elementary schools and he has asked Mr. Newton to have the BOE present an information session to the Boards of Selectmen and Finance at which the two boards will be able to ask questions. This session will be on May 25, 2016 at 7 PM in the Lillie B Haynes cafeteria. There will be no public comment. From 4 to 6 PM that same day the Board of Finance will tour the three elementary schools.
- There have been three major accidents on I-95 recently which require our and other neighboring Towns help. He will be calling on the DOT to have a forum on this as they are already having many accidents and it is not summer yet.
- He will begin a campaign to slow down and about taking short cuts in the village.
- On Monday May 16, 2016 in the HS Auditorium there will be a one-man play called 'I Am Dirt'. In conjunction he will be having a Selectman's Forum on June 6, 2016 on drugs in the community as heroin use is a big issue and at an all time high.
- Saturday May 21, 2016 is the Touch-a-Truck event.
- Saturday May 28, 2016 is the formal boardwalk dedication at 11 AM – all are invited to attend.
- Friday June 10, 2016 is the High School Graduation.
- He is working on the independent police department study.

Ms. Alberti asked if a new facility is part of the study.

Mr. Nickerson said no, he wants to keep that separate from this study.

- They are working on the Saunders Point sewers.
- Old Lyme sewers have been mandated by the State and would have to flow through East Lyme on the way to New London.
- Costco is coming with an anticipated opening in the Fall of 2017.
- He is talking with a group of citizens interested in fund raising for a dog park across from the prison on some 9 acres there.

Ms. Picarazzi asked that he be mindful of the maintenance that would be necessary on a continual basis for the dog park.

- He is working on a contract for the Samuel Smith House so they would be able to fund raise and write grants and they would be responsible for the maintenance of the house.
- The State budget comes up for a vote with new additional cuts to East Lyme of potentially \$295,000. This could increase the mil rate to cover it.

Ms. Alberti noted that is only one scenario that could be used. She also asked about the Costco and if Phase III is the upscale retail.

Mr. Nickerson said that they do not currently own that property and are still negotiating for it.

◆ **Board of Education**

There was no report.

◆ **Finance Director**

Ms. Johnson noted that everything had gone out in their packets. She reported that they had made the last installment for Health Insurance for the current year in the amount of \$355,938. She also noted end of year issues – the PILOT Grant is \$108,000 less than projected due to the mid-year State cutbacks; Building permits are expected to be lower than estimated; the Salem tuition is \$90,000 less than projected and they expect to use \$585,000 of the \$650,000 allocated fund balance.

On the expenditure side she reported that they have 53 payroll periods this fiscal year – due to the leap year and something that occurs every 24 years. However, they have a few departments that have had turnover where people left and they had time to fill the position which will help cover this shortfall. The Senior Center had a July retirement and the position was filled in October. She said that she thinks that they may need a \$30,000 transfer from contingency but will see as they get closer to year end.

Mr. Weber asked about the Salem tuition and if the change was due to the number of pupils coming in and out from Salem.

Ms. Johnson said yes and added that every month they do reconciliation on the numbers.

Ms. Picarazzi asked about the Salem contract and when it is negotiated and what the rates are.

Ms. Johnson said that it is a new contract and that she thinks that the rate is reviewed each year.

Ms. Hogan noted that Salem has the agreement posted on their website that they could look at.

Ms. Picarazzi said that she would be interested in what the new rate is in relation to the old one.

Ms. Johnson reported on the OT for the two Fire Departments – Flanders will possibly have a \$400 deficit and Niantic is looking at a \$7000 deficit. She said that she would speak with the Niantic Fire Chief on how he expects to handle it.

Ms. Johnson said that the Health Insurance fund balance is a struggle due to last years extraordinary high claims. So far for this month they are at \$225,000 and they are estimated to be at \$7.8M by the end of June. They currently have 12 high claims with 7 of them over the individual stop loss of \$125,000. \$1.7M is for 7 of the claims. Next fiscal year the teachers move to the high deductible health plan which should help with the July and August high claims period.

Ms. Picarazzi asked if they look at other Towns to see what they do for a comparison.

Ms. Johnson and Mr. Nickerson said that when they looked at other Towns that they had the same issues – they had very high years when we did not and now we have the high years and they do not – so all of the Towns are going through this.

Ms. Johnson said that another issue is the legal expenditures however she is expecting to have enough within the department to cover them. Also, regarding the fund balance – at the end of this fiscal year with looking at the expenditure of \$580,000 from the \$650,000 – they will have to see how that plays out.

Ms. Alberti said that there was \$5.2M in fund balance last year and with another potential return of \$570,000 and the potential additional reduction from the State that they could use money from fund balance and not raise the mil rate any further.

Ms. Johnson said that we are at a bare minimum at the 8% and that the bond companies are looking more for 10% to 12%.

Ms. Alberti said that we have had a very good credit rating with the 8%.

Ms. Johnson said that they were also happy that we decreased our use of fund balance this year from last year. And – our Health Insurance balance is next to non-existent now.

Ms. Alberti asked what our rating is and what the highest rating is.

Ms. Johnson said that we are an AA² and AAA is the highest. She added that we also have the school project out there and it is a very large project.

Ms. Hogan said that she feels better putting it into fund balance and increasing the taxes as we are not sure what will happen with the State.

Mr. Weber said that if we are going to return more than the \$259,000 that you would think that we could use half but with the State as it is and with it looking to be worse in the upcoming years it is probably better to save it for now.

Ms. Hogan agreed and said that she would want to have it in the fund balance for the serious years to be able to use it then.

F. New Business

a. Discussion – Special Meeting to set Mil Rate

Mr. Nickerson said that the Referendum on the budget is on Thursday, May 19, 2016 and that they usually set a Special Meeting date for the mil rate in the following week. He suggested that they do it on the same day as the informational meeting – Wednesday, May 25, 2016 at 6:30 PM in a classroom TBD at the Lillie B Haynes School. This would be prior to the 7 PM Informational Meeting and after the tour of the schools.

Ms. Johnson said that the mil rate and the suspense List for the Tax Collector would be the only items on the agenda. There would be no delegations or public discussion.

Ms. Picarazzi asked for the Board's view on the fund balance issue. She said that she would agree with Ms. Johnson on keeping it up.

Mr. Weber said that he would agree with that.

Mr. Pazzaglia said that he is not sure and is on the fence about it as they are still increasing it by \$220,000 even if they used or had to use nearly \$300,000 and did not increase the mil rate further.

Ms. Johnson said that every month she brings up the Health Insurance fund as she worries about having to ask for an appropriation to cover it.

Ms. Alberti asked what it is now.

Ms. Johnson said that as of today it was just around \$900,000 but they will be receiving a BOE payment soon. She added that she anticipates that all of this would change and not decrease as drastically during the July/August time with the teachers on the new plan.

G. Old Business

a. Purchasing Policy

Ms. Johnson said that she has a collection of purchasing policies from other Towns and the process of reviewing them is continuing.

Ms. Picarazzi asked that a draft be brought to this Board in July.

b. NFD/FFD PT & OT Review

Ms. Johnson said that this was previously discussed.

Ms. Picarazzi asked that Police OT be added to this listing for review.

H. Public Discussion

Ms. Picarazzi called for Public Discussion.

Jill Roderick, 47 Stoneywood Drive said that she attended the tour that the Board of Selectmen went on with the BOE and that she has concerns with the Board of Finance going on the same tour as was orchestrated before. She feels that there was malfeasance and that it was done to push the BOE's agenda as the new principal of Lillie B is the former one of Niantic Center so she has a predisposition to Lillie B. They toured an old section of Niantic Center and she felt that it was staged to be negative and that the staging was done to put it in a bad light. They had to ask to see the playground and it is an asset to Niantic

Center whereas Lillie B does not have this asset. Further, the custodian led the Lillie B tour and he is proud of how he keeps it up so again – they did not see everything and they did not see the older LEARN wing. The Flanders School tour did not have anyone to lead it so people wandered at will. She wants the Board of Finance to ask to see other things and for the Board of Selectmen to go on the tour again.

Josh Roderick, 47 Stoneywood Drive said that with the State cuts that the Town cannot afford to do \$34M in renovations either – he said that they should defer this for 7 years or so until the State gets better with finances.

Carol Russell, 4 Bramblebush Drive said that the May 25, 2016 meeting without public comment concerns her and she wants time at the end of the meeting for the public to be able to talk about concerns they have. She wants public comment and for the BOE to present the original plan as well. She reiterated her position regarding Niantic Center School and how the students perform better than at the other elementary schools. She attributed this to the school building itself and the feeling that it provides to the students and teachers who study and work there. She does not want it closed and wants public discussion as part of the informational meeting.

I. Board Comments

Ms. Picarazzi called for Board comments.

Ms. Hogan asked Mr. Nickerson about the Informational Meeting.

Mr. Nickerson said that it is a BOE Special Meeting and that it is not for public comment – it is meant for the Boards of Selectmen and Finance to receive information and a presentation on the BOE potential projects and for the Boards to ask questions and make comments for the BOE to go back and do their work. Public Meetings will be held throughout the summer and the BOE will hold them. It is important to remember that there is only one application and that is to renovate Lillie B for the \$34M. They have not heard from the architect or seen any plans and the meeting on May 25 is not an application it is an informational presentation to the Boards of Selectmen and Finance.

Ms. Alberti said that she is disheartened to hear from that public that there is some malfeasance. She said that the end game is that there will be 2 elementary schools and the principal will still be that principal of one school no matter what. She said that she would be against funding 3 schools as that is putting the burden on the taxpayers of this Town to fund them and it is doing so in light of continuing declining enrollment. She trusts that the BOE has worked diligently to get their information together and that it was not done behind closed doors. She hopes that there is still a 2 school solution that comes forward and that it goes to the townspeople for a vote.

She said that she adamantly disagrees that it is the building that makes the education at Niantic Center as it is the administration, teachers and students and they will still continue to do their best no matter which building they are in.

Mr. Weber said that he thinks that the special informational meeting for the Boards without outside opinions is a must and is necessary for them to be able to understand what the real information is. Also, when people say that they come to this Town for the schools - that holds no water with him. He said that to educate his two kids that it cost \$430,036 and that it will take him approximately 87 years to pay off that education in his taxes. He said that he used the figure of \$16,540/student this year and that there is a lot of math involved.

Ms. Picarazzi asked if there is a plan in place to alleviate the problems that they had this year with the audit due to the system crashing and having to recreate the information.

Ms. Johnson said that they now have new servers installed and back-ups and also improving communication with the vendor so that the back-ups are done correctly.

Ms. Picarazzi asked about seeing the different areas in the schools.

Mr. Nickerson said that there are different needs assessments for the different schools.

Ms. Picarazzi said that there have been plenty of public comments, many repeated in various forums so

she would have to push back on that issue. She said that their job is to look at the money and what can be afforded and that she agrees with Ms. Alberti on the declining enrollment and the 2 schools. She said that not everyone is going to agree on whatever the plan is. She said that she does not know of any conspiracy by them or anyone on this project – they work hard and they would not benefit from that. Further – for her the Town is not about the schools – it is about the people here and they need to work together.

J. Adjournment

Ms. Picarazzi called for a motion to adjourn.

****MOTION (2)**

Ms. Hogan moved to adjourn this Regular Meeting of the East Lyme Board of Finance at 9:45 PM,

Mr. Pazzaglia seconded the motion.

Vote: 5 – 0 – 0. Motion passed.

Respectfully submitted,

Karen Zmitruk,
Recording Secretary