EAST LYME BOARD OF SELECTMEN
REGULAR MEETING MINUTES
FEBRUARY 5, 2025

IN ATTENDANCE: Dan Cunningham, Ann Cicchiello, Rose Ann Hardy, Jason Deeble and Don MacKenzie. Candice Carlson joined the meeting via Zoom.

Mr. Cunningham called the regular meeting of the East Lyme Board of Selectmen to order at 7:00 p.m. and stated that the Pledge was done at the special meeting.

1b. Additional Agenda & Consent Items
There were none.

1c. Delegations
Several retired employees were present to speak on the issues discovered with their pensions. Terri Saffiotti and Donald Marr, retired police officers spoke on this issue, and Mr Saffiotti read into record a letter from Mary Weekley, who could not attend tonight's meeting. That letter is attached hereto as Exhibit #1.

1d. Approve Minutes
MOTION (1)
Ms. Cicchiello MOVED to approve the Regular Meeting Minutes of January 8, 2025, as submitted.
Seconded by Ms. MacKenzie. ABSTAINED; Ms. Hardy. Motion passed 5-1.

1e. Consent Calendar
MOTION (2)
Ms. Cicchiello MOVED to approve the Consent Calendar for February 5, 2025, in the amount of $6,379.99.
Seconded by Mr. Deeble. Motion passed 6-0.

2a. MOU – WELSCO Workers Comp – East Lyme, Waterford and WELSCO
MOTION (3)
Ms. Cicchiello MOVED the following:
WHEREAS, WELSCO, (Waterford/East Lyme Shellfish Commission) has been notified by the State of Connecticut that worker's compensation insurance is required for its part-time employees;

WHEREAS, those part-time employees are also engaged in water and shellfish testing in the Niantic River and its estuaries for the Shellfish Commissions of Waterford and East Lyme;

WHEREAS, it would be time consuming and expensive for either East Lyme or Waterford to provide any worker's compensation insurance for these employees of WELSCO;

NOW, THEREFORE, it is agreed through this Memorandum of Understanding that the Towns of Waterford and East Lyme will each contribute 1/3 of the worker's compensation insurance premium1 as reimbursement to WELSCO for its payment of such premium, on a twice a year basis, by payment of invoices submitted by WELSCO;

AND, THEREFORE, this Memorandum of Understanding is agreed to be continued for the next two calendar years (January 2025 to January 2027) and may be extended in writing by agreement of the parties. Any party to this Agreement may elect to terminate the Agreement as to its obligations herein set forth with a 90-day written notice to all parties. So agreed this 5th day of February 2025.
Seconded by Mr. Deeble. Motion passed 6-0.

2b. NIP Fund – PW and P&R

MOTION (4)

Ms. Cicchiello MOVED to approve a special appropriation of $14,500 from NIP Funds to purchase 15 trash containers and liners for downtown Niantic and forward to the Board of Finance for approval. NOTE: This will require a Town Meeting.

Ms. Cicchiello MOVED to approve a special appropriation for the Public Works Department of $38,230.63 from NIP funds for cleaning Town catch basins and forward to the Board of Finance for approval. NOTE: This will require a Town Meeting.
Seconded by Mr. MacKenzie. Motion passed 6-0.

2c. Appointments

MOTION (5)

Ms. Cicchiello MOVED to appoint Carlo Lombardo, 2 Hillcrest Road, Niantic, as an Alternate Member on the Inland Wetlands Agency with a term to expire on January 5, 2026.
Seconded by Mr. Deeble. Motion passed 6-0.

MOTION (6)

Ms. Cicchiello MOVED to appoint Justin Hanna, 34 Park Place, Niantic, as a Member on the Youth Family and Human Services Commission with a term to expire on January 2, 2034.
Seconded by Mr. Deeble. Motion passed 6-0.

2d. Departmental Transfers

Item Tabled.

2e. Appoint Bill Willetts to Check Indices

MOTION (7)

Ms. Cicchiello MOVED to appoint Attorney William Willetts, Jr. to examine the indices of the land records for calendar year 2025 in accordance with CGS Section 7-14 for the sum of $2,000.
Seconded by Ms. Hardy. Motion passed 6-0.

2f. Budget Presentation

First Selectman Cunningham and Finance Director Kevin Gervais presented the 25/26 budget to the Board of Selectmen, attached hereto as Exhibit #2.

2g. Discussion of Pension Tax Payroll Issue

DISCUSSION: Mr. Cunningham explained that it is unfortunate that this error was not caught sooner, but Mr. Gervais is working very hard now to rectify it. A letter from USI Actuary David Woodmansee, regarding calculating the non-taxable portion of annuity payments, is attached hereto as Exhibit #3. We will continue to work on this issue until it is fully rectified.

4a. Ex-Officio Reports

Jason Deeble reported:

- The Fair Rent Commission had training on January 16th and held their first public hearing on January 29th. They held deliberations on February 4th; he is very impressed and very proud of the work that this commission is doing to support our residents.
- Brookside Farm Museum is holding a fundraiser on February 29th from 4-8pm at Five Churches By The Bay.
- STARS to STEM kicks off First Fridays on February 7th; rock and roll bands on the first Friday through June 2025.
- Rossa Negra was recently celebrated in a news report.

Don MacKenzie reported:

- They discussed the MOU that this Board approved tonight.

4b. First Selectman's Report

Mr. Cunningham reported, with sadness, of the passing of Harry Danos. Harry designed not only the East Lyme Town Hall, but also the Hartford Civic Center.

5. Communications

6. Public Comments
There were none.

7. Selectman's Response
There was none.

MOTION (10)
Ms. Cicchiello MOVED to adjourn the February 5, 2025, regular meeting of the Board of Selectmen at 8:41 p.m.
Seconded by Mr. MacKenzie. Motion passed 6-0.

Respectfully Submitted,

Sandra Anderson
Recording Secretary

Exhibit #1

Feb 5, 2025

Mary Weekley (widow of retired Police officer James Weekley)

13962 W 87th Dr Arvada, CO

I am one of the 4 retirees under the annuity pension Plan.

I have received my 2024 1099 tax form and the taxable amount was the same as the gross. So, no corrections have been made at this time.

Kevin Gervais could only find 3 Year-to-date payroll records for my husband and his true contribution amounts are not known. Kevin stated in the Jan 6 Pension meeting that he would "come up" with an amount and have them for me by the next morning. That was one month ago. I have yet to hear from Kevin.

With that said, I have done my own research, and I was able reconstruct Jim's regular wages and the amount he contributed to his pension from the contracts available. I would like to have a discussion offline and compare Kevin's numbers to mine.

Also, I stated in several emails to Kevin, I have paid double taxes for 20 years and **I do not agree with a 14 year reimbursement plan** to recoup my overpayment.

I watched the 1/15/25 Board of Finance meeting video and Kevin stated that he met with the Tax attorney and Pension Attorney and he stated this is a win-win course of action for all. **It is NOT a win for me**. I am 71 years old. In 14 years, I'll be 85, if I live that long. I think I should have some input on the reimbursement plan. Again, I have come up with a fair reimbursement plan that we can discuss before any implementation.

Example: If you took out a bank loan and agreed to pay 5% interest, and years later found out that you actually paid 10% interest. You bring your concern to the bank and they agree you paid too much. Would you accept a multi year repayment plan? I would guess NOT.

Exhibit #2

Fiscal Year 2026 Budget

Dan Cunningham
First Selectman

FY 2025-26 Budget Initiatives

- Fire Service
  - Hiring 12th Firefighter (July 1, 2025)
  - Hiring 13th Firefighter (January 1, 2026)
  - Department Plan: 18 Firefighters (6 FF per shift – 2 per station)
- Increasing cash capital
  - Balancing current debt service vs. cash capital
  - $902k last year, proposing $1.35 million this year
  - Working towards goal of ~$2 million in cash capital annually
- Emphasis on maintaining buildings, vehicles and other assets
- Prioritizing Wants vs. Needs

Operating Budget

Town of East Lyme
General Fund Budget Summary
Fiscal Year 2025-26

Object Description	2024-2025 Adjusted Budget	FY2026 Proposed General Fund Budget: Proposed Budget	Change from YE 25	Change from YE 24
EXPENDITURES				
Town Operations	$ 22,911,317	**$ 25,679,726**	$ 2,768,409	12.08%
Board of Education Operations	$ 60,024,675	**64,220,400**	4,195,725	6.99%
Debt Service	$ 6,754,252	**7,214,093**	459,841	6.81%
Capital/Other	$ 902,750	**1,350,000**	447,250	49.54%
TOTAL EXPENDITURES	**$ 90,592,994**	**$ 98,464,219**	**$ 7,871,225**	**8.69%**
REVENUES				
Taxes - Current Year	$ 72,784,510	**$ 80,883,750**	8,099,240	11.13%
Taxes - Motor Vehicle Supplemen	$ 550,000	**$ 600,000**	50,000	9.09%
Taxes - Prior Year, Interest, Fees	792,000	**792,000**	-	0.00%
Licenses and Permits	795,400	**945,400**	150,000	18.86%
Intergovernmental Revenues	11,123,655	**11,376,773**	253,118	2.28%
Charges for Services	1,233,900	**1,440,300**	206,400	16.73%
Fines and Assessments	13,010	**13,010**	-	0.00%
Investment Earnings	1,200,000	**1,200,000**	-	0.00%
Other Revenues	125,520	**152,987**	27,467	21.88%
Other Financing Sources	1,975,000	**1,060,000**	(915,000)	-46.33%
TOTAL REVENUES	**$ 90,592,995**	**$ 98,464,219**	**$ 7,871,224**	**8.69%**

Operating Budget - Revenues

Town of East Lyme
General Fund Budget Summary - REVENUES
Fiscal Year 2025-26

Object	Description	FY2025 Budget	FY2026 PROPOSED BUDGET	$ Change from YE 25	% Change from YE 25
41	Taxes	$ 74,126,510	$ 82,275,750	$ 8,149,240	10.99%
42	Licenses and Permits	$ 795,400	$ 945,400	$ 150,000	18.86%
43	Intergovernmental Revenues	$ 11,123,655	$ 11,376,773	$ 253,118	2.28%
44	Charges for Services	$ 1,233,900	$ 1,440,300	$ 206,400	16.73%
45	Fines and Assessments	$ 13,010	$ 13,010	$ -	0.00%
46	Investment Earnings	$ 1,200,000	$ 1,200,000	$ -	0.00%
48	Other Revenues	$ 125,520	$ 152,987	$ 27,467	21.88%
49	Other Financing Sources	$ 1,975,000	$ 1,060,000	$ (915,000)	-46.33%
TOTAL REVENUE		$ 90,592,995	$ 98,464,219	$ 7,871,224	8.69%

Revenue - Highlights

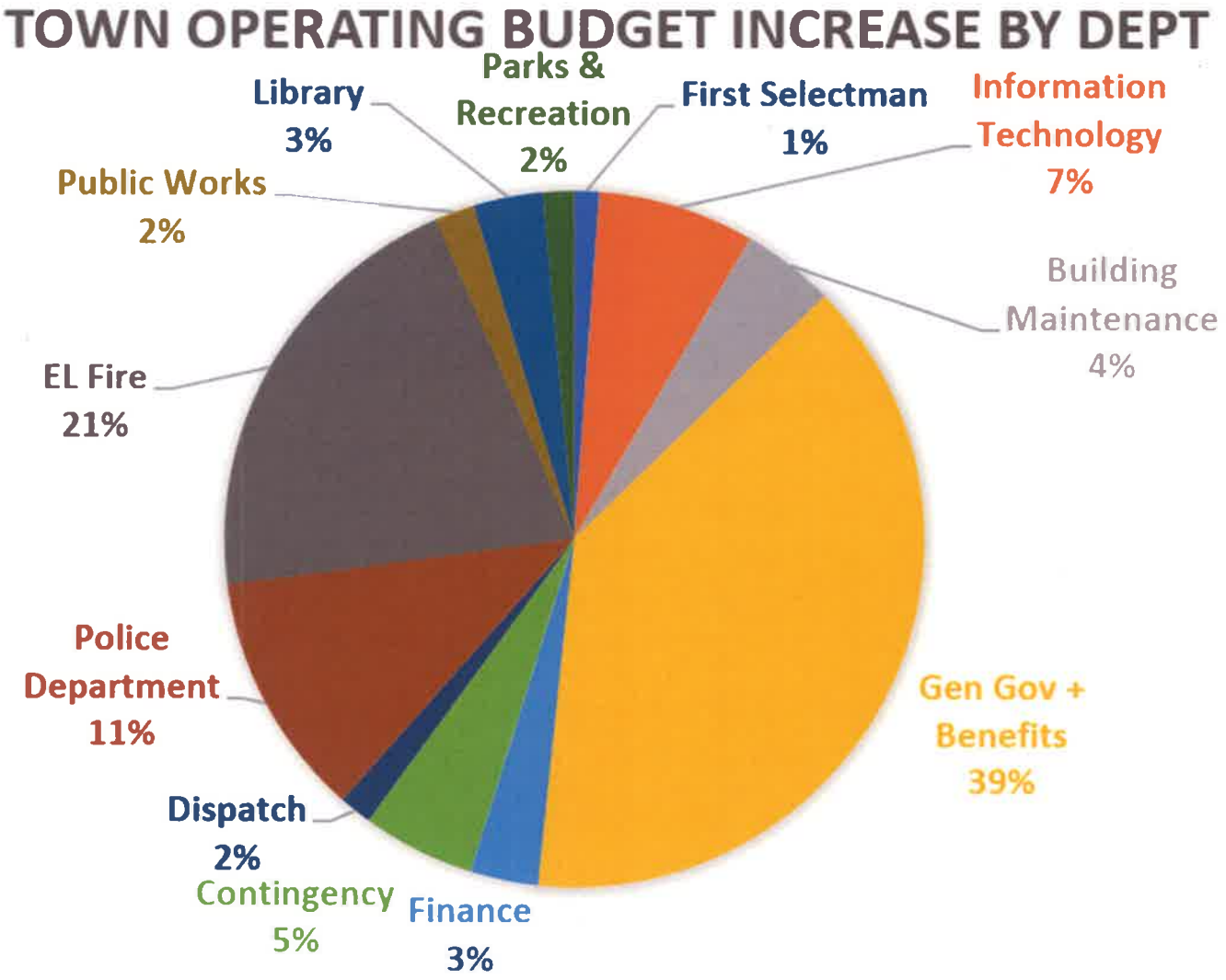
- Building Permit Fees – Increased $150,000
  - Increased permit fees based comparison to neighboring communities
- Recycling and Tipping Fees increased significantly
- Tuition Revenue – Increased ~$300,000
- Moved Youth Service Grants to Grant Fund
- Reduced "Other Financing Sources"
  - ~$180k reduction in Ambulance reimbursements
  - No proposed OTI's from other funds
  - No use of bond premiums proposed
- Holding Investment/Interest Earnings flat
  - May have to revisit with more research

Operating Budget - Expenditures

FY2025 and Proposed FY2026 Operating Expenditures Budget

	FY25 Amended	FY26 Proposed	% Change
General Government	$ 9,419,218	$ 11,145,937	18.33%
Public Safety	$ 6,380,978	$ 7,223,387	13.20%
Public Works	$ 4,378,939	$ 4,428,580	1.13%
Culture and Recreation	$ 2,732,182	$ 2,881,821	5.48%
Education	$ 60,024,675	$ 64,220,400	6.99%
Debt Service	$ 6,754,252	$ 7,214,093	6.81%
Capital (Cash)	$ 902,750	$ 1,350,000	49.54%
Total Operating Budget	$ 90,592,994	$ 98,464,219	8.69%

Town Operation Budget Increase By Dept



Town Operating Increases

Department	FY25	FY26	Increase ($)	Increase (%)
First Selectman	$ 246,233	$ 277,728	$ 31,495	12.79%
Information Technology	$ 521,133	$ 720,754	$ 199,621	38.31%
Maintenance of Town Buildings	$ 850,850	$ 969,150	$ 118,300	13.90%
General Govt Misc & Benefits	$ 5,024,343	$ 6,096,360	$ 1,072,017	21.34%
Finance Department	$ 547,651	$ 634,430	$ 86,779	15.85%
Contingency	$ 388,887	$ 532,500	$ 143,613	36.93%
Public Safety - Dispatch	$ 739,238	$ 780,971	$ 41,733	5.65%
Public Safety - Police Dept	$ 3,352,950	$ 3,666,345	$ 313,395	9.35%
Public Safety - East Lyme Fire Service	$ 1,930,993	$ 2,500,000	$ 569,007	29.47%
Public Works - Hwy, Eng & Sanitation	$ 4,378,939	$ 4,428,580	$ 49,641	1.13%
Library Operating Grant	$ 1,231,806	$ 1,320,000	$ 88,194	7.16%
Parks & Recreation	$ 895,130	$ 935,196	$ 40,066	4.48%
		Subtotal Dept Increase	$ 2,714,665	
		Total Town Operating Increase	$ 2,768,409	
			98%	

Drivers of Town Operations Budget

- Increased Health Insurance 11%
- Increased Electrical Costs (Public Benefit Charges)
- Increased Pension Contribution
  - Currently $700k
  - Projecting $1.1 million next year
- Increased software costs (ADP, Axon, Adobe, Microsoft, etc.)
- Hiring of 1.5 FTE career firefighters
- Inflationary pressures continue to plague operating budget
  - Collaboration between Town Dept's to create synergies and efficiencies to better serve our residents

Grand List Finalized

	2024	2023	NET	%
REAL ESTATE	$2,547,376,508	$2,529,856,699	$17,519,809	.6925%
MOTOR VEHICLES	**$179,933,740**	$203,484,645	**-$23,550,905**	**-11.573%**
PERSONAL PROPERTY	$88,658,216	$81,810,571	$6,847,645	8.37%
TOTAL	$2,815,968,464	**$2,815,151,915**	$816,549	0.029%

NET TAXABLE GRAND LIST INCREASE 0.029%

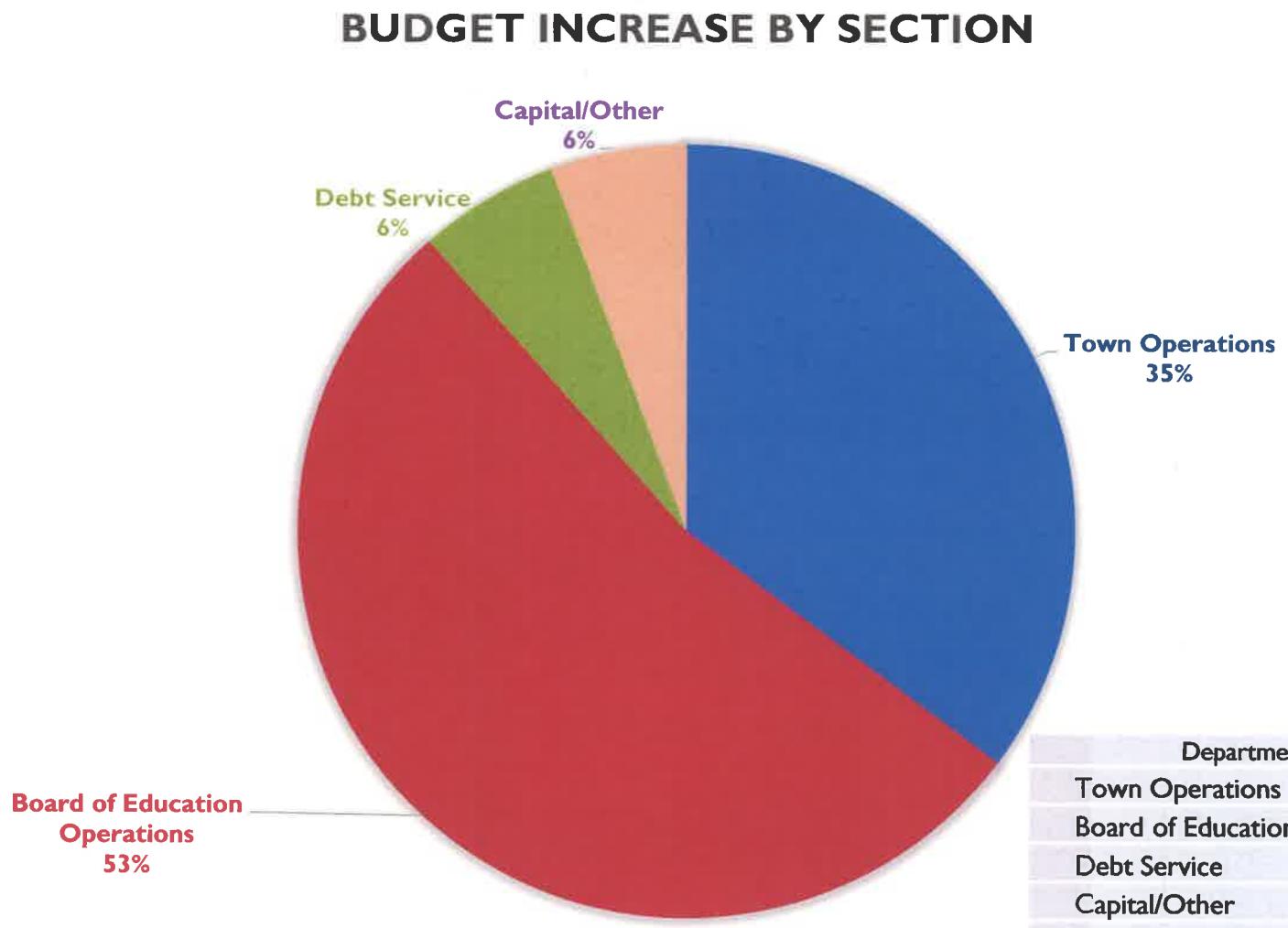
Impact on Mill Rate

Calculation of Mill Rate					
Grand List Total					
Value of One Mill	$	2,815,968	$	816	0.03%
Collection Rate		98.20%		0.00%	0.00%
Estimated Delinquency	$	(50,687)	$	(15)	0.03%
Collection Rate for One Mill	$	2,765,282	$	802	0.03%
Collected Tax Receipts	$	80,883,750	$	8,099,240	11.13%
Add Elderly Tax Relief	$	57,030	$	-	0.00%
Required Levy	$	80,940,780	$	8,099,240	11.12%
MILL RATE		29.27		2.92	11.08%

Impact on East Lyme Households

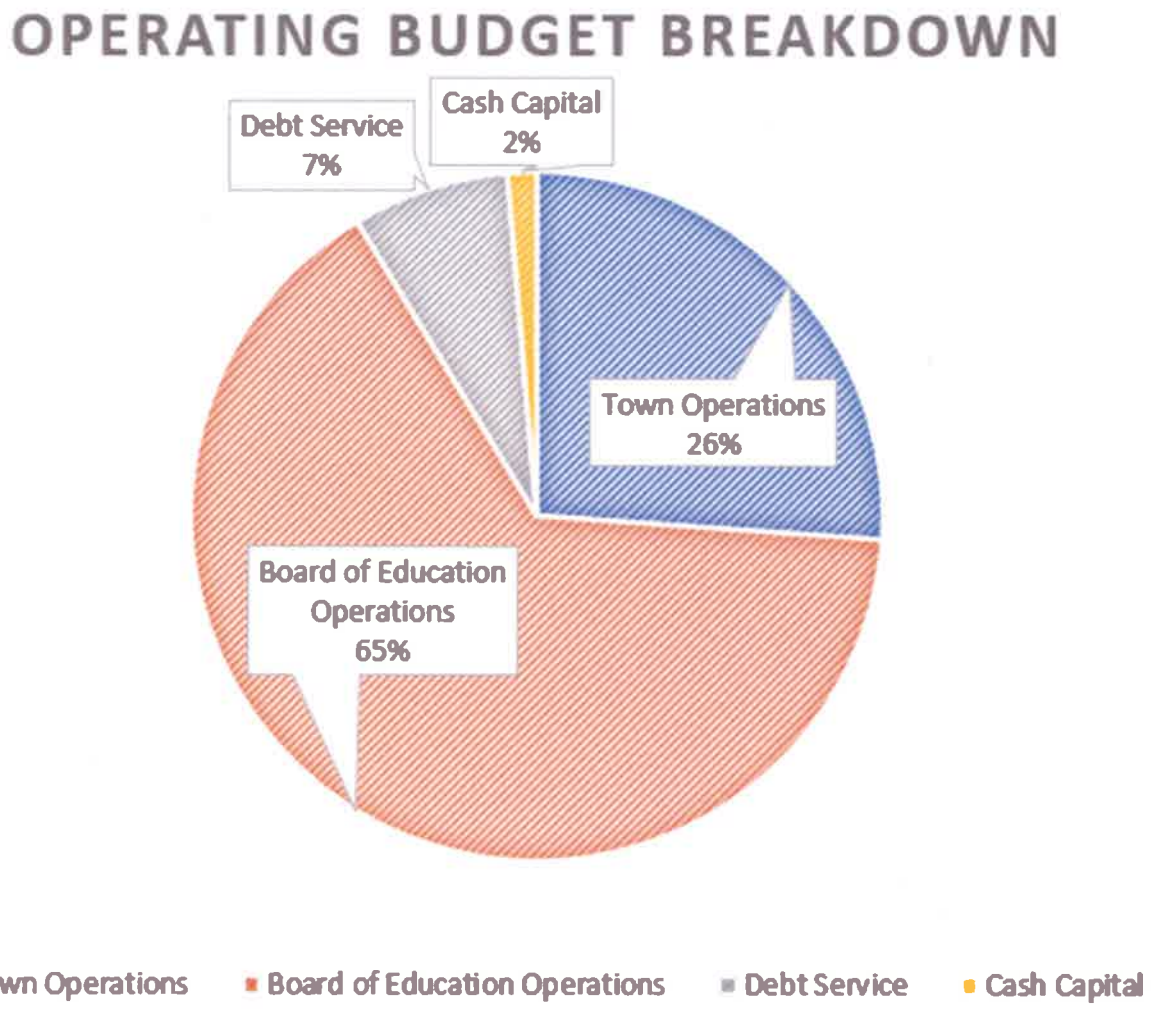
Assessed		Mill Rate Home Values		Property Taxes 26.36 FY 2023-24		29.27 FY 2024-25	YoY Increase	Monthly Increase
$	210,000	$	300,000	$	5,536	$ 6,147	$ 611	$ 51
$	245,000	$	350,000	$	6,458	$ 7,171	$ 713	$ 59
$	280,000	$	400,000	$	7,381	$ 8,196	$ 815	$ 68
$	350,000	$	500,000	$	9,226	$ 10,245	$ 1,019	$ 85
$	420,000	$	600,000	$	11,071	$ 12,293	$ 1,222	$ 102
$	525,000	$	750,000	$	13,839	$ 15,367	$ 1,528	$ 127
$	700,000	$	1,000,000	$	18,452	$ 20,489	$ 2,037	$ 170
$	875,000	$	1,250,000	$	23,065	$ 25,611	$ 2,546	$ 212
$	1,050,000	$	1,500,000	$	27,678	$ 30,734	$ 3,056	$ 255

Cost Drivers



Department	YoY Increase
Town Operations	$ 2,768,409
Board of Education Operations	$ 4,195,725
Debt Service	$ 459,841
Capital/Other	$ 447,250
Total Increase	$ 7,871,225

Budget Breakdown



Capital Projects

Current Year Capital Projects Summary

		Dept Requested
General Government	$	643,000
Public Safety	$	2,434,500
Public Works	$	18,867,500
Parks and Recreation	$	871,500
Education	$	3,753,000
	$	**26,569,500**

10 Year Capital Improvement Plan

- Forthcoming

For more Budget Details…

- See the link below for more budget information

Budget - Fiscal Year 2025-2026 - Town of East Lyme

FINAL
Exhibit #3

USI Consulting Group
95 Glastonbury Boulevard
Suites 102, 406
Glastonbury, CT 06033
www.usi.com
Tel: 860.633.5283

February 4, 2025

Kevin Gervais
Town of East Lyme
P.O. Box 519
Niantic, CT 06357

Re: Calculating the Non-taxable portion of annuity payments

Dear Kevin:

When a Participant receive benefits from the Town of East Lyme Pension Plan (the "Plan"), a portion of the payment may not be subject to federal income tax. Participant contributions determine what portion of the benefit is and isn't subject to federal income tax. If a Participant made contributions to the Plan, and the money used to pay those contributions had already been subject to federal income tax, these contributions and payments are considered "previously taxed contributions," or post-tax contributions.

The IRS requires the Plan to use the "Simplified Method" to calculate Participants' previously taxed contributions in order to avoid taxing them twice.

How does the Simplified Method Work?

The total of the previously taxed contributions in a Participant's account is divided by a set number of monthly payments based on their age (and/or the age of their option beneficiary, if applicable) at the time of retirement. This calculation will result in an annual Total Excludable amount of money that they can recover tax-free. The set number of payments and the calculation formula for the Simplified Method is provided by the IRS. For additional information regarding the Simplified Method, refer to "IRS Publication 575, Pension and Annuity Income."

The Plan **must** use the Simplified Method if the Participant's annuity starting date is after November 18, 1996, and both of the following apply

1. They receive their pension or annuity payments from a "qualified employee plan", and
2. On their annuity starting date, at least one of the following conditions applies to them; (i) they are under age 75, or (ii) they are entitled to less than 5 years of guaranteed payments.

In this case, the Plan **must** use the Simplified Method as required by the IRS. The Town of East Lyme Pension Plan is a "qualified employee plan", and all of the Participants in question had annuity starting dates after 11/18/1996 and were under the age of 75 on their annuity starting dates.

How does the Plan calculate the taxable and non-taxable amounts?

Under the Simplified Method, the Plan would use the IRS table shown below to determine the number of pension payments their Participants could have expected to receive from the Annuity Start Dates:

Annuities Taxable Portion		Annuities Taxable Portion	
Ages at Annuity Starting Date	Number of Payments	Combined Ages at Annuity Starting Date	Number of Payments
Not more than 55	360	110 and under	410
More than 55, but not more than 60	310	111 to 120	360
More than 60, but not more than 65	260	121 to 130	310
More than 65, but not more than 70	210	131 to 140	260
More than 70	160	141 and over	160

The formula to determine the amount of the monthly pension benefit that is **not** subject to federal income tax would be as follows:

Amount of previously taxed contributions divided by Number of monthly payments (IRS table above) = Dollar amount of monthly pension not subject to federal income tax

For example: A Participant elected a 50% Joint & Survivor with $42,986.17 in previously taxed contributions and the Combined Ages at the Annuity Starting Date of 133

$42,986.17 divided by 260 = $165.33 of each pension payment is excluded from federal income tax.

How will the Plan calculate the tax-free portion of my pension?

Since the Simplified Method calculation was not applied to their benefit at the time of the original Annuity Starting Date, the Plan is required to correct the issue now. To do this, the Plan will use the following formula:

Amount of previously taxed contributions *divided by* [Number of monthly payments (IRS table above) *minus* Number of months the Participant/Beneficiary has been in pay status] = Dollar amount of monthly pension not subject to federal income tax

For example: Same Participant as above example, the Participant has been retired since June 1, 2015 (so 103 months through December 31, 2023)

$42,986.17 divided by 157 (260-103) = $273.80 of each pension payment is excluded from federal income tax.

The Plan is **not** changing the form of benefit the Participants elected or the ending date. The non-taxable portion of the monthly benefit for each affected Participant is included in the below table. The table also notes the last monthly benefit payment that will have a non-taxable portion.

To be clear, the application of the Simplified Method is only for determining the non-taxable portion of the Participants' pension benefits.

Regards,

USI CONSULTING GROUP

David B. Woodmansee Jr, EA, FCA, MAAA
Vice President and Consulting Actuary