

**EAST LYME BOARD OF FINANCE  
REGULAR MEETING MINUTES  
Wednesday, MARCH 10th, 2010**

Members In Attendance: Bob Kleinhans, Chairman  
Steve Larcen, Secretary  
Steve Harney  
Raymond Hart  
Steve Kelley  
Jeff Langan

Also In Attendance: Paul Formica, First Selectman  
Anna Johnson, Finance Director  
Scott Bassett, McGladrey & Pullen LLP

Absent: No One

**A. Call Meeting to Order**

Chairman Kleinhans called this Regular Meeting of the East Lyme Board of Finance to order at 7:00 PM.

**B. Pledge of Allegiance**

The Pledge was observed.

**C. Delegations**

Mr. Kleinhans called for delegations.

Karen Rak, 27 Black Point Road said that she would like to give some background on her concerns. The 'Race to the Top' Grant is a 205 page document. Connecticut did not win it the first time around but will vie for the second round. However, our Superintendent signed it while a lot of other Towns did not. The other Towns' schools that did not sign it did so because there was not enough time for them to review the documents that you would have had to agree to. However, we did sign it with no questions asked and no involvement nor public input. She asked if the Board of Finance had any involvement with it. She said that she spoke with the Superintendent who told her that he signed it just so they would not lose out. She asked where the money would come from as this will not be fully funded. She said that she would and asked that they also think about making the suggestion to the Board of Ed that they sign the clause to get out of this as an action such as this should not be signed by one person. She asked that the Board of Finance liaison to the Board of Ed be kept abreast of this grant and what is going on with it, as one person should not be signing something that the entire Town will ultimately be responsible for funding.

Bob Gadbois, 358 Boston Post Road said that he believes that what Ms. Rak has said is correct. He feels that they have to be responsible to the Board of Finance. He said that already this year 24 banks have failed and 5000 homes have been foreclosed on. He watched Mr. Taylor's show the other night and while there were 100 students less last year for enrollment that the Board of Ed budget still went up and that this year there will be 70 less students and the budget is still going up. He said that he hopes that they sharpen their pencils so that the Board of Ed will take the hit this year as Town Government did last year.

Mike Schulz, Lovers Lane said that under New Business this evening that they have a telephone special appropriation for the Middle School. He said that he does not think that the cost of \$41,702.40 should be paid for in this way.

Mr. Kleinhans noted that there was a revised plan that would be presented on that item this evening and that it would not be handled in the same way and would not cost as much.

## **D. Approval of Minutes**

### **◆ Wednesday, February 10, 2010 - Regular Meeting**

Mr. Kleinhans called for a motion for approval or any changes to the Board of Finance February 10, 2010 Regular Meeting Minutes.

Mr. Larcen asked that on the top of Page 5 that 'purchases' be changed to read: purchased; and he asked that on Page 6 halfway down the page where it said: Mr. Larcen asked what the State bid is that it be changed to read Mr. Langan asked - as he recalled that Mr. Langan had asked that question.

### **\*\*MOTION (1)**

Mr. Kelley moved to approve the Board of Finance Regular Meeting Minutes of February 10, 2010 as amended.

Mr. Hart seconded the motion.

Vote: 6 – 0 – 0. Motion passed.

## **E. Reports**

### **◆ Review of 6/30/2009 Audit by Mr. Scott Bassett, McGladrey & Pullen LLP**

Mr. Bassett noted that in their first year doing the audit that they had nine (9) control deficiencies and that only one of them has not been finished. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect financial statement misstatements on a timely basis. There were five items this year. The first had to do with the closing of the books which was not done on time and they had to go on extension to finish. He said that he does not see any reason why that should not go away next year. The second was the school lunch fund misappropriations. Mr. Meltabarger and his staff tried to take a look at it and dealt with a third party and found that it could be reported as an insurance recovery item. They looked at the loss and what is being done now and they felt that the third party did a diligent review. They have brought in new people and central office is monitoring the process much better.

Some of the other items that he noted were fairly minor are that having an Accounting Policies and Procedures Manual would be helpful; the Town Water & Sewer Departments should have proper segregation of duties over its cash receipts as the same individual is responsible for collecting receipts, maintaining the subsidiary ledger for receipts, maintaining the receipts until deposit, preparing the deposit slip, making the deposits and maintaining the accounting of the funds and they need to put controls in place and segregate the duties; the Census Data needs to be kept up to date – while testing the census data information they noted that several date of birth and date of hire information was incorrect. He suggested that it be reviewed for accuracy before being submitted to the actuary. He commended management for getting the list down from the previous year and added that the Board of Finance asked for an action plan to help keep things on task – he suggested that they continue with such controls.

Mr. Kleinhans asked Ms. Johnson to keep a controls list and to include the five items that have just been mentioned this evening.

Mr. Larcen asked about the lunch fund embezzlement amount.

Mr. Bassett said that as he recalled it was around \$450,000 however it was not a Town Employee but through a third party that this happened.

Mr. Larcen asked what percentage of the total the \$400,000 represents.

Mr. Bassett said that it is around 50%. He added that it was over a period of three to four years progression that this happened.

◆ **First Selectman**

Mr. Formica reported the following:

- ◆ Amtrak will begin the railroad replacement project this week and the Boardwalk closest to Cini Park will be closed and Cini Park will have limited usage. Amtrak will also be placing some of its equipment there. The fence delineates the actual property line.
- ◆ The third mediation will be held next week with regard to the other section of the Boardwalk
- ◆ The first part of the Streetscape project was about three-fourths done when they had to shut down for winter. They will be starting that back up to finish Phase I and will then move on to Phase II which should go fairly well as they will be using the same outfit to do the work
- ◆ Last month they spoke about the anticipated revenues and a deficit of around \$200,000. He said that the deficit is around \$57,000 now and that by the end of the year he hopes to turn it into a positive.
- ◆ They have in their packets the monthly tonnage report with the single stream program and they will receive it each month. He said that they hope to have all of the carts in soon.

◆ **Finance Director**

◆ **Monthly Report Review**

Ms. Johnson said that they received her monthly transmittal report in their packets with the other reports. She noted that the deficit amount has gone down and that it is due primarily to the tax collections.

Mr. Larcen asked about the LoCIP reimbursement and if they could expect to get it all by the end of the fiscal year.

Ms. Johnson said that yes, they would get it on the projects as they are completed.

Mr. Larcen asked about the ELYSA grant that seems to be very slowly moving into out account.

Ms. Johnson said that she checked with the ELYSA Director and was assured that they would get the entire grant by the fiscal year end.

Mr. Kleinhans asked if there was any movement on the TAR.

Mr. Formica said that it is up for discussion on the 16th of March and they are hoping that the State will act on it then.

Mr. Larcen asked about Extra Duty Police and how it was being reflected.

Ms. Johnson said they are booking it through a balance sheet account. She noted that at the end of last year that it was around \$38,000 net.

**F. New Business**

**a. Appropriation of up to \$34,000 for Niantic Center School lease/purchase Telephone System**

Mr. Meltabarger, School Business Manager said that the phone system is 35+ years old and that the paging system was presenting a safety hazard as it cuts out. Mr. Hunt, their telecommunications person told them that they could save some money as the proposed system will reduce the number of phone lines from 45 to 9. The funding for the phone, intercom and voice mail system would be financed with a 5 year lease at the end of which the Town will own the equipment and the annual savings going forward will be approximately \$8,340.

Mr. Kleinhans asked about VOIP options.

Ted Hunt, School IT Manager said that there are VOIP options but they have some long term contracts with AT & T and that once they get this they can work towards some of that. He said that there are a lot

of little benefits that they can get from this and in working towards the future as they would also like to work from one platform throughout the district.

Mr. Kelley asked who would install the unit.

Mr. Meltabarger said that Sonitrol would as they have been doing it under State bid for 22 years. They know the system well.

Mr. Kelley asked about the completion date and training.

Mr. Hunt said that for the Center School it would take one to two weeks which includes the training. They would do it during the April break.

Mr. Kelley asked if the current system is operable.

Mr. Hunt said that it is barely operable and that he patches it as best he can to keep it going.

Mr. Langan said that he remains concerned about the challenges that he expects they will face for a number of years. He asked why they would want to spend this much money on this school – in particular he asked if the school would even be open for the five years that they would have to pay for this lease on the phone system. He said that he asked as the Vision Committee would be evaluating the buildings.

Mr. Meltabarger said that this equipment would have a place at the other schools and that they could stop using it here at any time and transfer it over.

Mr. Formica said that the Vision Committee will soon be reviewing the Board of Ed buildings and that Mr. Langan's question is certainly a worthy one. The phone modules could be taken out and used elsewhere.

Mr. Hunt and Mr. Meltabarger said that they could use everything elsewhere except for the wiring.

Mr. Langan asked where the \$34,000 comes from.

Mr. Formica said that it comes from the vehicle acquisition lease program and that they were able to tack it on to the back of it. The \$567 lease payment will come from the Board of Ed and the savings will more than pay the lease.

**\*\*MOTION (2)**

Mr. Larcen Resolved to approve an appropriation to the Board of Education for the purpose of acquiring by way of lease or purchase or a combination thereof, a new telephone system and related equipment for Niantic Center School for the total amount of up to \$34,000, payable in monthly installments over a period of five (5) years.

Mr. Kelley seconded the motion.

Mr. Kleinhans called for a vote on the motion.

Vote: 6 – 0 – 0. Motion passed.

**b. Special Appropriation of \$40,000 – COA Bus - Grant**

Mr. Formica explained that this is part of the acquisition program brought forward last month and that this is the grant portion.

Mr. Kelley asked if they know when the grant will be here and if it would come at the time that the vehicle arrived.

Mr. Formica said that it is reimbursable and that from what they have heard that it will be in very close to the same time as the vehicle.

**\*\*MOTION (3)**

Mr. Hart moved to appropriate \$40,000 in CNRE Fund 32 for the purchase of a new 12 passenger, 2 wheelchair bus to be utilized at the Senior Center with delivery expected in late Spring/early Summer.

The \$40,000 will be received from the Connecticut Department of Transportation 5310 Grant to offset this disbursement.

Mr. Kelley seconded the motion.

Mr. Kleinhans called for a vote on the motion.

Vote: 6 – 0 – 0. Motion passed.

**c. Special Appropriation of \$49,450 from CNRE Fund 32 – ELMS HVAC System**

Mr. Formica recalled the issues surrounding this and the humidity problems. He said that it would be paid for through Learns' rent receipts.

Mr. Langan asked if they could recoup any of this from O & G.

Mr. Meltabarger said no as they have been trying unsuccessfully since 2002 to do so and to continue would cost a lot in attorney's fees.

Mr. Langan asked if this fix will work and what type of confidence they have in it.

Ray O'Connor, Acting Town Building Committee Chair said that the unit was not designed properly. It works for the full gym but it is single speed and in the summer it could not take out the moisture.

Through many discussions on this the thought was to come up with a variable frequency drive for the unit to keep the proper temperature until the humidity issue is satisfied. VFD's are the main cost here and this seems to be a reasonable fix.

Mr. Larcen asked if the vendor, New England Mechanical is the regular vendor and if this item went out to bid.

Mr. Meltabarger said that New England Mechanical is very familiar with the system.

Mr. Hart asked if there was a contingency plan if this does not work.

Mr. Meltabarger said that the only other thing to do is the \$300,000 fix to smaller units.

Mr. Formica noted that the units would be moved to another building.

Mr. Kleinhans asked what the threshold figure is that requires them to go out to bid.

Mr. Meltabarger said that they are trying to go out to bid on items over \$10,000.

Mr. Kleinhans asked if there is a reason why they would not bid this out.

Mr. O'Connor said that they would have to spend more money to put together the specs for a bid package.

**\*\*MOTION (4)**

Mr. Kelley moved to appropriate \$49,450 in CNRE Fund 32 to an account to be established titled ELMS HVAC System. This project is consistent with the FY10 Capital Improvement Plan approved May 7, 2009.

Mr. Hart seconded the motion.

Mr. Kleinhans called for a vote on the motion.

Vote: 6 – 0 – 0. Motion passed.

**d. Transfer of \$25,892 from Contingency to Firefighter and Police Payroll Accounts**

Mr. Formica said that this was for negotiated contracts for payroll and that it needed to be moved from contingency.

Mr. Kleinhans asked if this is the January and July portions.

Mr. Formica said yes, he understood that it is for both – the firemen from last July 1 through 6/30/10.

**\*\*MOTION (5)**

Mr. Hart moved to transfer \$25,892 from account 0-01-01-120-100-500 (Contingency Pending PR Change) to the following accounts: \$21,635 to account 0-01-25-216-100-511 (Salaries Constables), \$2,433 to account 0-01-25-217-100-611 (Salaries NFD Firefighters) and \$1,824 to account 0-01-25-

218-100-611 (Salaries FFD Firefighters) due to the timing with the budget process and negotiating successor agreements.

Mr. Kelley seconded the motion.

Mr. Kleinhans called for a vote on the motion.

Vote: 6 – 0 – 0. Motion passed.

**e. Transfers of \$24,959.20 within Departmental Budgets**

Mr. Kleinhans noted the listing was included in their packets.

**\*\*MOTION (6)**

Mr. Kelley moved to ratify departmental transfers in the amount of \$24,959.20 processed for fiscal year end June 30, 2010.

Mr. Larcen seconded the motion.

Vote: 6 – 0 – 0. Motion passed.

**f. Ratify \$2,259.78 expenditure from CNRE Fund 32 CAD Software and Survey Account**

Ms. Johnson said that they set up a CNRE for Engineering to purchase the software as needed as it is time sensitive.

**\*\*MOTION (7)**

Mr. Harney moved to ratify the expenditure of \$2,259.78 from CNRE account C-32-01-105-200-215 for Engineering CAD software upgrade.

Mr. Langan seconded the motion.

Vote: 6 – 0 – 0. Motion passed.

**g. Move to accept June 30, 2009 Audit as submitted**

Mr. Kleinhans called for a motion on this.

**\*\*MOTION (8)**

Mr. Harney moved to accept the June 30, 2009 audit as submitted.

Mr. Hart seconded the motion.

Mr. Larcen reiterated that they wanted the monthly report/action plan on the items that were cited implemented.

Mr. Kleinhans called for a vote on the motion.

Vote: 6 – 0 – 0. Motion passed.

**h. Presentation of 2010/2011 Proposed Budget**

◆ **Review of Projected Revenues**

◆ **Adjustments to Scheduled Reviews**

Mr. Formica said that the proposed budget represents a 2.3% increase combined. He said that they are going to propose that revenue does not use Fund Balance for the coming year and that would anticipate a small increase as they are trying to build the floor on the fund balance back up.

He has asked at the State level how they plan to fill the \$4B hole that will be there when the Federal funds end and has been told that they will wait for the new Governor to plan that.

The department heads will receive their 3.5% deferred (from last year) increases this year.

Under General Government benefits he anticipates a 12% increase in health care costs however they hope and expect that number to come down by the end of the budget process.

There is an \$184,000 increase in Public Safety due to activity in that department that has been increasing substantially. Two FT people on the 7-11 shift and 2 PT people on the weekend 7-11 shift are being proposed. He said that he is working with the Public Safety Director on this for the call center and they may be able to reduce this amount a bit.

The Capital increase is a \$700,000 increase over the current year. They are trying to buy as much as they can while the cost of services is low.

The Debt Service reduction this year has allowed them to take advantage of other opportunities.

Mr. Larcen said that it would be helpful to have the Governor's funding recommendations for their budget discussions.

Mr. Formica said that the revenues are based on the second year budget numbers. He said that he will bring that information to the next meeting.

Mr. Formica lastly noted that they are proposing a different way of doing the Parks & Recreation budget. They will do a special revenue program and program supplies and instructors fees/programs will be separate and paid through that account as it will be offset by the revenues generated.

Mr. Larcen asked the benefit of this and the rationale.

Mr. Formica said that it gives the Parks & Recreation department the flexibility in their programs so they can move quicker. He said that Mr. Putnam has worked with this program before and that he will explain it to them in great detail.

## **G. Old Business**

### **◆ Sub-Committee Report: Financial Policies**

Mr. Langan said that he did not have anything to report.

### **◆ Correspondence to Board of Education**

Mr. Kleinhans said that he had passed out the letter that was received from Superintendent Lombardo. He suggested that if they have other questions that they please email him and he will contact them with those questions. He noted that he thought that the intent seemed to be to follow what they had been discussing.

### **◆ Review of Open Items**

Mr. Kleinhans said that they have made a commitment to go forward with the open items listing.

## **H. Public Discussion**

Mr. Kleinhans called for Public Discussion.

Mike Schulz, Lovers Lane said that he has attended a lot of the Board of Ed meetings and the information that gets fed to the public and into the papers is always hand-picked and that they never bring forward the comments made by the general public. He said that when you speak to them that it is like talking to 'trash cans' – you are not heard and when they are asked if they know the state mandate – the answer is no. If that is the case then the answer to the funding to support it is also no. He said that the programs that they put into effect are not required and yet we are paying for them (for example – college prep). There is a huge deficit and Pfizer has come in and escalated the cost of living here so high and this drives the tax cost of everyone here up and most of us do not have the \$97,000+ income that the Pfizer people do. The newspaper printed that there would be no increase for the teachers but the Superintendent will get a \$5000 raise this year – he said that the superintendent should lead by example.

He thanked the Town Department heads for their deferment and said that he is glad that they are getting their raises this year. He noted that there are other contracts that give 6% (3.5% plus 2.5% step) and some as much as 7%. He suggested that yearly contracts might be better and would help to alleviate the huge yearly increases. The bottom line is that we do not have such a good budget this year. He said that Mr. Formica is doing a great job but the school is not doing such a great job.

## **I. Board Comments**

Mr. Langan asked Mr. Formica for a status update on the new Public Works building and if they were on track with it.

Mr. Formica said that they closed on the sale last week and that they hope to occupy the building by the end of the year. To Mr. Schulz he also noted that they had a zero percent increase in the tax rate last year and that the firefighter contracts were one and two year contracts.

## **J. Adjournment**

Mr. Kleinhans called for a motion to adjourn.

### **\*\*MOTION (9)**

Mr. Kelley moved to adjourn this Regular Meeting of the East Lyme Board of Finance at 9:00 PM.

Mr. Hart seconded the motion.

Vote: 6 – 0 – 0. Motion passed.

Respectfully submitted,

Karen Zmitruk,  
Recording Secretary