

**EAST LYME BOARD OF FINANCE  
REGULAR MEETING MINUTES  
Wednesday, AUGUST 10th, 2011**

Members In Attendance:	Bob Kleinhans, Chairman Steve Larcen, Secretary Raymond Hart Steve Harney Steve Kelley Lisa Picarazzi
Also In Attendance:	Paul Formica, First Selectman Darcy Schofield, Project Manager from the Trust for Public Land Robert Tobin, Attorney, Tobin & Carberry William Scheer, Town Engineer Brad Kargl, Municipal Utility Engineer Anna Johnson, Finance Director Gary Goeschel, Planning Director Art Carlson, Chairman, Natural Resources Commission
Absent:	No One

**A. Call Meeting to Order**

Chairman Kleinhans called this Regular Meeting of the East Lyme Board of Finance to order at 7:28 PM after the Board of Selectmen previously scheduled Public Hearing and Board of Finance Special Meeting.

**B. Pledge of Allegiance**

The Pledge was observed.

**C. Presentation – Commission for the Conservation of Natural Resources – Open Space Plan – Art Carlson, Chairman**

Art Carlson, Chairman of the Commission for the Conservation of Natural Resources explained the role of open space in the Town. He chaired a committee appointed to study open space and has presented the resultant plan to over 300 people. When looking for answers on how much open space we have in the Town – people have responded that we have either too much or too little. So they plotted the following:

- Plotted all land 10 acres or more in size with no buildings on it that is perceived as open space
- Plotted the open space land that is publicly and institutionally owned (such as Yale that they have no access to or control over)
- Plotted the actual open space that is public land

He said that they were sure that they needed the land however they had to determine the reason and they came up with the protection of our public drinking water supply as we live over our watersheds (aquifers) which provide us with drinking water. They next identified the watersheds that they get the water from and what degrades the water supply and what they are protecting it for. They found that more impervious surfaces in the watershed area cause problems for the water supply and that is what drove the open space land.

Agricultural land is the best use of the land however; they would prefer to keep it as pristine forest if at all possible. The watershed grabs the water, cleanses it and releases it. They also want large blocks of land rather than an acre or two. As it turns out, the large parcels (there are 65 of them that have been

identified) are privately owned. They have sent out 65 letters to the owners of these parcels asking if they would be interested in selling at some point in time or even donating the land. They have heard from five people who are interested in selling. Potentially in 25 years, they could have large forest blocks. He said that people ask about taxes and the cost of this land if it is taken off the tax roll. In looking at the value, it was found that it costs 31¢ to maintain open space and \$1.11 for residential use. Also, when looking at the value of property – those properties that are near open space have a higher property value so their taxes would go up and provide a net gain in taxes and offset the open space. He said that they have been provided with the most recent open space report and asked that they review it. He said that he would answer any questions that they had.

Ms. Picarazzi asked if the Town of East Lyme were to acquire approximately 30% open space – if they have benchmarked with other Towns to see what their percentage of open space is.

Mr. Carlson said that 30% is the most however most of the other Towns do not have aquifer issues as they have reservoirs.

Mr. Larcen said that the State DEP has 21% as a maximum figure. East Lyme has 15% open space now – he asked if the assertion is that we need a higher percentage due to the water supply. Mr. Carlson said yes.

Mr. Larcen asked if we have spoken with Yale regarding the potential for an easement on their property. Mr. Carlson said that he is working on it now.

Mr. Larcen said that East Lyme is unique in that 9% is State land and when they start adding up the Yale property which is 8% - they would be quickly getting to 50% of the land with what they are proposing.

Mr. Carlson said that they do not have to own all of it.

Mr. Larcen said that Table II has a list of the 65 properties and asked how they evaluate which property is of higher priority.

Mr. Carlson said that he thinks that they have to ask the ‘meaningfulness’ of the piece of property. He added that all of them would not come up at the same time.

Mr. Larcen said that the priority process is not abstract as there is a limited amount of dollars. Mr. Carlson said that his argument is that it has never been a priority and they maintain that it should be equally as important as anything else.

Mr. Kleinhans and Ms. Picarazzi thanked Mr. Carlson for the presentation and the information.

#### **D. Delegations**

Mr. Kleinhans called for delegations.

John Drabik, 18 Drabik Road said that it was quite the presentation and thanked Mr. Carlson. He added that it is not the time to be adding to the Town debt as times are difficult. Regarding Darrow Pond, he suggested buying 18% of the property instead of the whole thing as that is what they need. Mr. Carlson made a nice presentation but the horse is out of the barn as they should have gone to five acre zoning long ago. They just spent \$10M on the water system interconnection so it is a moot point how much water we are protecting now. Save the land and buy water from New London – he said that the last thing that he wants to do is spend money on items that do not make sense. This money is all coming from our tax dollars. Look at all the money spent on Main Street and the Boardwalk in the interest of economic development – one business moves out and another moves in with no real net gain. The Boardwalk project - Amtrak is subsidized by the Federal taxpayers. The roads are not an investment – they are a capital improvement. There are a lot of things that come forward in this Town and we cannot afford this as we already pay enough.

Marvin Schutt, 29 North Edgewood Road said that he wants to establish that we have an approved budget now and asked if there is an allocation in it to pay for this.

Mr. Kleinhans said no, this is in the capital plan but not funded. It would have to be bonded and would go to referendum for a public vote.

Karen Rak, 27 Black Point Road said that she wants some figures on the record – in June of 2010 the unemployment rate in East Lyme was 7.3% and in June 2011 the unemployment rate was 8.5% - so to say that East Lyme is not affected she thinks that we live in some ‘fairy bubble’. The Snap program was implemented for the first time ever in East Lyme as 50% of our enrolled school children qualify for a free or reduced lunch. We also have double the amount of snap recipients in the town age 18 or younger. They also have increased foreclosure filings in this Town, so, while they can have a great idea – they have to have the dollars for it. She said that personally she wants to save for her retirement and her children and thinks that they should be retiring the debt and not adding to it.

John Strafaci, 16 Darrow’s Ridge Road said that he had a couple of points to make. It was a nice presentation on the conservation of the area however there are not going to be any conservation easements now as it was stated ‘that it would be discussed’ is what he heard. If it is not in writing, then it does not exist and he thinks that you need to know at the time of purchase that this is for open space. They have heard of projects that would require expenditure of more dollars – so they need a plan and this is all moving much too quickly. He said that he has heard that in the regional interconnection bond package that there is money there for a tank site – so if there is \$1M in that bond they don’t need to have the taxpayers pay twice for the same thing. Since this is a water project and for a water tower, they also have to look at the taxpayers losing some \$70,000 per year in tax revenues. The taxpayers are also being asked to pay for water ratepayers improvements. He said that he thinks that there should be a sharing of this to make the cost allocation fair. These are issues that need to be discussed as he thinks that we are paying too much in taxes.

Mr. Kleinhans said that the taxes did go down and that it was not due to any extra State funding as that was flat.

Joe Mingo, 397 Boston Post Road said that he is a 30 year member of the Water & Sewer Commission and wants to address some of the things that he just heard. First, people who live in Town who don’t benefit from the water system and should not be paying for it – the whole Town benefits from the water system due to the hydrants and fire protection. This keeps everyone’s fire insurance rates down and benefits everyone in the Town. Furthermore 70% of the people in the Town are on the water system. One of the reasons why they need this property is due to the elevation – it is not easy to find property 250’–265’ above sea level and that is what makes this property desirable. The system operates by gravity and the higher the better.

John Drabik, 18 Drabik Road suggested that they buy Russo out and take about 8-10 acres here and let the Water Department buy it as they are a business. As for the rest of the property, he said that he would put up \$50,000 first and anyone else interested can add to it and they will all own it jointly. Mr. Carlson’s plan should have been in effect some 40-50 years ago so they should not charge the taxpayer for that now. Also, Education costs are out of hand. The biggest problem that the Town has now is its’ debt.

Marvin Schutt, 29 North Edgewood Road said that he wanted to say something regarding what a \$2M bond costs a Town resident. It costs a resident \$15 to \$20 per year for 20 years to pay off a \$2M bond so if they double that, they can get a figure of what it would cost to procure this property. He asked that they give serious consideration to the opportunity that they have before them.

## **E. Approval of Minutes**

### **♦ Wednesday, July 20, 2011 – Regular Meeting**

Mr. Kleinhans called for a motion for approval or any changes to the Board of Finance July 20, 2011 Regular Meeting Minutes.

Mr. Kelley asked that on page 1 in Motion 1 that his name be corrected to read: Kelley; that on Page 3 where Mr. Lombardo is speaking that the word 'lover' be changed to read: 'lower'; that on Page 4, item c. second paragraph after Motion 4 where it says: 'Mr. Larcen asked if the sidewalk repair ...' be changed to read: 'Mr. Kelley asked if the sidewalk repair....'; and in the paragraph after Motion 5 that the word 'expenditure' be inserted after the word legal where Mr. Formica is speaking.

Mr. Kleinhans asked that Motions 5, 6 and 7 have the word 'Moton' corrected to read: Motion.

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

Mr. Kelley moved to approve the Board of Finance Regular Meeting Minutes of July 20, 2011 as amended.

Mr. Larcen seconded the motion.

Vote: 5 – 0 – 1. Motion passed.

Abstained: Mr. Harney

**▪ Tuesday, July 26, 2011 – Special Meeting**

Mr. Kleinhans called for a motion for approval or any changes to the Board of Finance July 26, 2011 Special Meeting Minutes.

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

Mr. Kelley moved to approve the Board of Finance Special Meeting Minutes of July 26, 2011 as presented.

Mr. Hart seconded the motion.

Vote: 6 – 0 – 0. Motion passed.

**F. Reports**

**♦ First Selectman**

Mr. Formica reported the following:

- He met with the Attorney Generals' Office regarding the \$51,000 that they were billed for the Resident Troopers fringe benefits and has found that it would cost more to defend it rather than to pay it. He said that he sent a letter stating his disagreement along with the payment.
- Vision Appraisal has some 500-600 homes left to visit and has been holding public meetings on the process.
- The pension subcommittee has met and things are going well there.
- Channel 22 – they have a new person involved and they are looking to re-do the format and solve some of the problems that they have had.
- He has met with Mr. Russo and the amount that he wants for the land is a large multiple of the property that is currently under discussion. Further, he has heard that another application is coming forward for a scaled down project from Mr. Russo.
- Regarding the regional interconnection monies – any dollars in it for land acquisition (\$150,000) would not be used if this is moved forward.

Mr. Larcen said that at the last meeting he asked for the total legal dollars spent on New England National – he asked if he had that figure.

Mr. Formica apologized for not having it with him and said that he would email it to them.

**♦ Finance Director**

Ms. Johnson said that her reports were in their packets and that she would answer any questions that they might have.

Mr. Kelley asked if the existing and proposed debt service chart is different than the January 2011 chart.

Ms. Johnson said that the 7/29/2011 report does not include everything in the capital plan but does include the approved items and Darrow Pond and an additional \$5M for future discretionary use.

## **G. New Business**

### **a. Bonding Resolution – Darrow Pond**

Mr. Kleinhans called for a motion for discussion.

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

Mr. Kelley moved the following Resolution: Appropriating \$4,235,000 for the acquisition of 301.55 acres of land on Mostowy Road in the Town of East Lyme and authorizing the issuance of \$4,235,000 bonds of the Town to meet said appropriation and pending the issuance thereof the making of temporary borrowings for such purpose.

Ms. Picarazzi seconded the motion.

Mr. Formica recapped that the \$10.9M regional interconnection bonding has a net cost of \$8.1M to the Town in DWSRF funding at 2% from the State of CT. Mr. Courtney's Office was able to obtain a \$300,000 grant for the project and in the bonding is about \$150,000 for land acquisition/easement if necessary. He said that he feels that he has to bring opportunities to the community. This is for payment by the taxpayers because the larger portion is to conserve and protect open space in the community. This property gives them multiple opportunities and is being brought forward because of those opportunities. Regarding the areas that were looked at for the tank location – one is out of Town and the other is in a residential area.

Mr. Kleinhans asked Mr. Formica to review the relationship with the Trust for Public Land and the conservation easements and how that works.

Mr. Formica said that they felt it best if the Trust for Public Land dealt directly with the bank as there were other bidders and the Trust for Public Land history has been with open space and they also paid for all of the due diligence. He noted that as a non-profit that they exist on donations.

Mr. Kleinhans asked if the \$4.1M appraisal was commissioned by the Trust for Public Land and not the bank.

Mr. Formica said that was correct and added that the land was appraised as raw undeveloped land and that is the current appraisal. The Trust for Public Land would take ownership and then we would take ownership from them. Here is a list of suggested conservation easements and they have up to 24 months to do that. He reiterated that his intent for the property is for a tank and the well site. Sewers would probably not get to this site due to the length of the run. The wells are there but are high in iron and manganese and would be difficult to filter however this offers the opportunity to protect them as they have tested at producing up to 200,000 gpd of water.

Mr. Kleinhans asked for a sense of the timing on this.

Mr. Formica said that the contract that the Trust for Public Land has with Webster Bank is to October 31, 2011. The Town has to decide on the environmental by September 6, 2011. If this is moved this evening here, it would go to Town Meeting on August 24, 2011 and to referendum on Sept. 1, 2011.

Mr. Kleinhans said that the interest markets may be stable but asked if there was any idea of what it would bond at.

Mr. Formica said that they bonded \$2.5M for one year at .37%. The last 20 year bond was at 2.42%. He said that it has already been indicated that this would keep the rates the same. Our current rating is good. The cost of the water tank is in the regional interconnection and the Town has been asked to pay for this as it is for economic development to provide additional property tax revenue to the Town as without water, there cannot be economic growth. The utility will pay for the operation and they also have to think of the fact that all of the ratepayers are also taxpayers – but not all taxpayers are ratepayers however they share in the benefit of fire protection. He said that he was elected to run the Town like a business but the Town will be here longer than most businesses and they have to look to the future.

Mr. Kleinhans asked what phase of the regional interconnection project they are in now.

Mr. Formica said that they short listed the RFP replies and chose one and they have worked on the scope of work and are now working on this project to help out. They are hoping for July 2013 to be operational.

Mr. Kleinhans thanked Mr. Formica and asked the Board if they had any questions.

Ms. Picarazzi asked if this parcel was available to be split.

Mr. Formica said no, that is not an option.

Mr. Larcen asked if the interest rate was capped on the State amount that they could borrow.

Mr. Formica said that they are capped on the percentage – 80/20.

Mr. Larcen said that if Water & Sewer were to acquire this project that they would not have the dollars to do it – he asked if we typically have the Town bond for them.

Mr. Formica said that the Water department pays its own way and the Sewer department reimburses the Town for the debt.

Ms. Johnson added that they are all general obligation and are based on the faith and good credit of the Town.

Mr. Larcen said that what he is getting at is that if the ratepayers were to do it that they would get some 43 acres for their use and if there is a precedent for them to reimburse the Town then they should reimburse for the portion that benefits their business interests such as the 43 acres which is roughly \$600,000.

Mr. Formica said that would be splitting hairs – the same as the fire protection which is Town water used for those who do not have it. He said that he thinks that this project will help grow economic development which in turn will help bring revenues to the Town. It would be too difficult to try to determine the allocation of every single cost.

Mr. Kleinhans said that if you do that – then it takes on sounding like saying: 'I don't have kids in the schools so why am I paying taxes for the schools'.

Mr. Larcen asked at what point suggestions would come on what happens with the property or what it would be used for.

Mr. Formica said that would be something for a committee to talk about. He noted that if they sold some of the property that they could apply the proceeds towards the bond.

Ms. Picarazzi said that her thoughts on this are that they are getting distracted with other uses when the issue here is for the regional interconnection project which they unanimously endorsed. She said that she thinks that the project is necessary for economic development but her concern is that this is a large amount of money for this parcel.

Mr. Kelley said that they have the appraisal and that the Trust for Public Land people have been working on their behalf with the bank in good faith and that he does not see a reason to not accept the appraisal value as firm or as one of integrity.

Ms. Picarazzi said that she respects his opinion but they all know that the Orchards with water and sewer sold recently for just over \$1M and she is having a hard time with this price. She said that she thinks that it is an important piece and does not want to lose it but the \$4M does not exactly feel right.

Mr. Hart commended Mr. Formica for all of his diligent hard work on this and said that he would recommend that they table action on this motion tonight and hold a special meeting on Wednesday August 17, 2011 to make a decision. That would give them time to review information.

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

Mr. Hart moved to table action on Motion (3) tonight and to hold a Special Meeting on Wednesday August 17, 2011 to take action.

Mr. Harney seconded the motion.

Ms. Picarazzi said that she would be on vacation then and would only be available by phone.

Mr. Larcen said that he has not seen an appraisal or how the value was derived and that they had not received any financial information in their packets on this property or the rational on how this was done. He said that he would like to see information on the two other sites and have the opportunity to evaluate if this was a good deal or not.

Mr. Kleinhans said that if they table this to read the appraisal and still don't like the price – what are they looking to do – re-negotiate. The appraisal is dated 6/28/2011.

Mr. Hart said yes, the market went down and the appraisal was done two month ago.

Mr. Kelley said that from 6/28/2011 to now is not two months. However; they are looking at the future of the Town in relation to water and also looking at land to be preserved for the Town. They have also heard that the Town has been interested in this property for a long time and when it was the JC Penney property they were asking \$16M and the Town could not afford it and now it is \$4.15M and when they look at the debt service it does not increase to the taxpayers as it declines at the same rate. They also have to look at if this were to be developed it would not be beneficial to the Town. Mr. Carlson's report stated that it costs more to maintain residential property than open space. The Trust for Public Land people negotiated in good faith for the Town and he cannot see where at the end of reading the appraisal it is going to make a difference on the \$4.15M. He recommended that they go with the motion that he originally put on the floor.

Ms. Picarazzi asked if they could offer a different amount.

Mr. Kleinhans said no as there is a purchase and sales agreement in place between the Trust for Public Land and the bank now.

Ms. Schofield said that this all started back in the fall and that they have a purchase and sales agreement in place for the \$4.15M and is not sure if the bank would be amenable as there were others bidding against them for this property.

Attorney Tobin said that the Town has an option to exercise on or before 9/30/2011 with the Trust for Public Land to buy and the option states the items that have to get done. He noted that this price has been negotiated through a long series of discussions.

Mr. Kelley asked what number they would be comfortable with.

Mr. Hart said that he is confused and asked if they are buying land for water purposes or for open space. He asked if there could be the option to buy other land for one tenth of this price.

Mr. Kleinhans said that the policy decision and function here is to act on what was sent to them by the Board of Selectmen on if the Town finances can afford this. He said that they cannot set policy and that they have a \$4.2M allocation in the capital plan. Planning has found this to be consistent with the Plan of Conservation and Development and it is just for them to decide if we can pay for it, not to look for another spot etc. He said that if they approve this then the voters get to vote on if they feel that it is a good opportunity or too much.

Ms. Picarazzi said that her purpose was to show that they did not rubber stamp something and that they have asked the proper questions.

Mr. Formica said that if the Board needs more time and has specific questions that he could ask them and hold off if they can make the meeting date.

Ms. Picarazzi thanked Mr. Formica for that. She asked what concrete steps would be taken before the next meeting.

Mr. Formica said that they know the appraisal price and would ask if it was possible for the price to be lowered.

Mr. Larcen suggested that they hold an Executive Session if they can legally, before the Special Meeting to give them an idea on the value comparatively.

Attorney Tobin said that there are very specific exceptions on appraisal and contract price and executive sessions.

Mr. Kelley said that various Boards have recommended that they purchase this property and the Board of Selectmen has recommended that they act on this item at this amount – if in the remote possibility that the bank reduced the price – he asked if it would have to go back to the Board of Selectmen. Mr. Formica and Mr. Kleinhans said no.

Mr. Kleinhans called for a vote on Motion (4) – to table

Vote: 6 – 0 – 0. Motion passed.

**b. Discussion/Action – Engwall Land Donation**

Mr. Formica explained that this is unique in that the landowner came to him and said that they were being relocated and asked if they could donate some three (3) acres of their property to the Town as it would help them with their relocation and the sale of their house. This property is adjacent to the Town owned Barbaro property.

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

Mr. Hart moved to approve the acquisition of a three (3) acre portion of a 7.7 acre parcel of land located at 547 Boston Post Road, East Lyme, CT, Assessor's Map #18, Lot 19, in the form of a donation subject to approval of the Town Attorney and with gratefulness to the property owner.

Ms. Picarazzi seconded the motion.

Vote: 6 – 0 – 0. Motion passed.

**H. Old Business**

♦ **Sub-Committee Report: Financial Policies**

Mr. Kelley said they will be meeting on August 12, 2011 at 9 AM. They will discuss the assistance for the elderly that was brought up at their meetings.

**I. Public Discussion**

Mr. Kleinhans called for Public Discussion.

Karen Rak, 27 Black Point Road said that she had spoken to Mr. Larcen regarding the New England National legal fees and was disappointed that they were not presented this evening. She said that she would appreciate having that information presented in public session so that it can be discussed. She also said that as they had mentioned executive session for the Darrow Pond property that she would like to see as much information as possible presented in public forum on the property.

Ms. Hardy said that she was speaking as an individual. She said that the Board of Selectmen voted unanimously for this and in the broader picture this is land that they have wanted for many years. She said that she has been on the Board of Selectmen for 24 years and that this property has been something that they have wanted to acquire since the 1980's when JC Penney left and wanted some \$14M to \$16M for it. They could not afford it so they lost that opportunity and then developers came along and here we are now with the chance once again and they have to take this opportunity. She said that the Board of Selectmen never discussed using this for a dog park or for ball fields so that came from other Boards and Commissions. And, the fact is that there are other bidders on this property and they do have deep pockets and the Town does not have deep pockets. She said that she urges them to vote to move this forward so that the Town as a whole has an opportunity to vote on this at referendum. She said that she does not always feel that government should be by referendum however this item deserves to be voted on by the Townspeople. This is an attractive property for development. She said that she puts her credibility behind this property as being valuable to the Town, and asked that they support it.

**J. Board Comments**

Mr. Kleinhans called for comments from the Board.

Mr. Kelley said that he agrees with Ms. Hardy's statements and also that government should not always be by referendum however this item should be voted on by the Townspeople as it gives them an opportunity to vote for their future and the future of their descendants.

Ms. Picarazzi said that she wanted to underscore the importance of this project.

#### **K. Adjournment**

Mr. Kleinhans called for a motion to adjourn.

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

Mr. Hart moved to adjourn this Regular Meeting of the East Lyme Board of Finance at 10:10 PM.

Mr. Larcen seconded the motion.

Vote: 6 – 0 – 0. Motion passed.

Respectfully submitted,

Karen Zmitruk,  
Recording Secretary