

**EAST LYME BOARD OF FINANCE  
REGULAR MEETING MINUTES  
Wednesday, JANUARY 13th, 2010**

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

Also In Attendance: Scott Bassett, McGladrey & Pullen, Auditors  
Paul Formica, First Selectman  
Anna Johnson, Finance Director  
Pearl Rathbun, Emergency Management

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.

Mike Schulz, Lovers Lane, East Lyme said that he had a few things that he wanted to mention. First, he has been tuning into Channel 22 to see the meetings televised, without success. He strongly emphasized the importance of the meetings being televised and of the agendas being made available on-line; posted on the website. A few other topics he said that he wondered if anyone on the Board could explain the how or why they happened or at least something on them are: how a non-elected individual was positioned as the Chairman of one of the most important Boards in the Town – the Board of Finance and also how and why one of the people elected to the Board of Finance resigned. Additionally he said that he would like to know why one of the most honored people elected to the Board of Selectmen, with the most experience was not designated as the Deputy First Selectman and a newcomer with no experience was put there instead. He said that he thinks that there is some political foul play there and would like an explanation of why and how all of this came about.

Bob Gadbois, 358 Boston Post Road said that he feels the same as Mr. Schulz does as the Board of Finance is an elected Board and he feels that someone elected should be the Chairman. He also said that he attended the Board of Ed meeting the other night where they announced a 3.5% increase in their budget. He said that if they do not sharpen their pencils that he thinks that the Board of Finance needs to as the 3.5% increase in this economy with so many people out of work, is way out of hand. He noted that Mr. Langan had said at the last meeting that it would be a tough budget year and that he agreed with him that it would be a very tough year.

John McCulloch, Tax Collector gave his report on tax collections noting that as of 12/31/2009 they were slightly ahead at a 97.97% collection rate versus the previous year of 97.62% collection.

## **D. Approval of Minutes**

### **◆ Wednesday, December 9, 2009 - Regular Meeting**

Mr. Kleinhans called for a motion for approval or any changes to the Board of Finance December 9, 2009 Regular Meeting Minutes.

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

Mr. Langan moved to approve the Board of Finance Regular Meeting Minutes of December 9, 2009 as presented.

Mr. Hart seconded the motion.

Vote: 6 – 0 – 0. Motion passed.

## **E. Reports**

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

Mr. Formica noted that Mr. Bassett has done quite a bit of extra work for them and worked hard on the audit. He introduced Mr. Bassett, a partner with McGladrey & Pullen to present the draft audit report.

Mr. Bassett, partner with McGladrey & Pullen LLP spoke about how they had been working on improving the processes and noted that Ms. Johnson and her staff have been working over the hurdles that were noted last year. He said that he does not have the management letter for them yet as they do not have it tonight and are scheduled to review it with Mr. Formica later this week. He said that there would be some new items on it although a lot of the old items will have been taken care of. He would have to come back at a later time to present it to them.

Mr. Kelley said that while many of the past findings have been corrected that it does not mean that all of them have been taken care of; he asked which remained.

Mr. Bassett said that he would provide them with a list of the items although he thinks that the significant findings regarding the bank reconciliations have been taken care of. He said that the list would be forthcoming. He continued going over the draft noting that the balance sheet is a snapshot in time and that collections on the tax levy were 98.65% versus 98.67% in the previous year. They also came in spending roughly \$1M less than budgeted for the year. It was noted that the annual required contribution for those retirees and future retirees receiving health benefits from the Town was estimated at \$1.1M and with only \$19,000 being contributed, it was suggested that this be better funded. Also mentioned was the recovery of loss of \$414,634 from the Board of Ed school lunch program, found on page 72.

Mr. Hart asked Mr. Bassett what percentage he would recommend that they fund this obligation at.

Mr. Bassett recommended that they fund the \$1M over a period of time, perhaps a 10-year time period once the economy turns around.

Mr. Larcen said that he thought that it was a good idea to have Mr. Bassett come back with the management letter and findings so that they could better discuss this.

Mr. Bassett said that he would come back with the letter.

Mr. Langan asked if on Page 14 of the draft that the undesignated fund balance was roughly at \$3.5M. Mr. Bassett said yes and added that in 2008 it was \$3.382M so they had a pick-up of roughly \$100,000 to this year.

Mr. Larcen noted that part of the problem with the fund balance in 2008 was the LoCIP monies were not received.

Mr. Bassett noted that page 63 shows the pick up of \$400,000 of LoCIP monies that were recovered.

Mr. Langan noted that revenues were nearly \$187,000 less than anticipated.

### **b. First Selectman**

Mr. Formica reported the following:

- ◆ They had received final confirmation on the STEAP Grant \$200,000 for the second phase of the Niantic Streetscape Project and that the Rotary was also doing a fund raising event for the walkway from downtown Niantic to the Hole in the Wall beach parking lot. They would be starting with a \$25,000 donation and holding a fundraiser on February 13, 2010.
- ◆ On January 8, 2010 there was a press conference with Mr. Courtney regarding the \$300,000 that was given to them for the regional interconnection water supply process.
- ◆ He has started meeting with the departments on their budgets and it seems that other than the contractual items and the health increases that they are coming in close to a zero increase.
- ◆ There will be a hearing on the proposed cell tower and the Town will take part in the proceeding.
- ◆ The Pension Committee will meet on January 29, 2010 and they are working on closing the gap on the pension funding and the process.

He said that he would be happy to speak with Mr. Schulz regarding the Deputy First Selectman selection later on as it was not pertinent to this Board.

### **c. Finance Director**

#### **• Monthly Report Review**

Mr. Kleinhans asked that Ms. Johnson in the future please include her monthly report in their packets so that they could review it prior to the meeting and be ready to ask questions about it at the meeting.

Ms. Johnson read her December 2009 month end report and noted that a portion of the ECS funding was not coming directly to them and that accounted for the percentage difference.

Mr. Kelley said that they had gone from \$443,000 in interest to \$211,000 in interest to \$40,000 interest on investments and asked where they were going on investment rates.

Ms. Johnson said that the rates were higher in the other years and that they were higher last year and started to decrease in the later part of last year.

Mr. Larcen asked if there are reasonable ways to invest money to get better returns – perhaps in short-term bonds.

Mr. Formica said that he had just provided Ms. Johnson with information on other bank programs and that he does agree that they have to look into other things for a better return.

Mr. Kleinhans asked what they had budgeted for interest income for the year.

Mr. Kelley said that they had budgeted for \$200,000 and that they are only at \$40,000 with half of the year over.

Mr. Kleinhans said that they would run short of projection this year on revenues.

Mr. Formica noted that they have some higher one-time building fee monies from the AHEPA project which hopefully will offset the projection. He further noted that in all of the meetings that he has been to with the COG and CCM, etc. that they have indicated that in 2011 the funding monies will go away and it will be extremely difficult as they will have to look for other opportunities to recoup those monies.

Mr. Harney asked if the actuary and investment advisor that they are engaging for the pension committee could be consulted with regard to increasing their income.

Mr. Formica said that there is not really a lot that they can do without speculating.

Mr. Kleinhans noted that he was at a meeting regarding the State budget and that while it is not good now, they have said that 2011 will be worse with a lot of non-recovery happening and the State does not know where they will come up with the money.

Mr. Larcen asked Ms. Johnson about the projected revenue report.

Ms. Johnson explained how the report was devised and how the projections obtained. She also noted that they had only received one-half of the Tax Relief on Boats.

Mr. Larcen asked if the \$190,974 is favorable.

Ms. Johnson said yes.

Mr. Larcen asked if it was the PILOT monies (+\$101,393) that helped to offset the loss in revenues so that they are trending in an okay direction.

Ms. Johnson said yes.

Mr. Formica and Mr. Kleinhans made note that the TAR monies were bonded and that they may be released when everyone will start the work in the spring and that the prices for the work will be different from when they were anticipated, which could be problem.

Mr. Kleinhans asked about the storm budgeting and how it was done.

Ms. Johnson said that they have a special account for storm overtime.

Mr. Kleinhans noted that it looks like they have \$22,000 left for all storms for the rest of the year.

Mr. Langan asked about the electricity total as it seems to be lower than anticipated.

Ms. Johnson said that the electric billing is typically a month behind.

- **Update on Outstanding Items**

Mr. Larcen asked about the information that he had requested at the last meeting regarding the Youth Services fees and if Ms. Johnson had researched it.

Ms. Johnson said that she had spoken with Ms. O'Brien and was told that the attendance for the beach dances was way off (only 30 participants versus 100 or more previously) so they decided not to hold them during the month of August. That cut down on the money that they collected. She was also told that they do not necessarily run programs during the same months of each year and that they will try to run some sort of acoustical program at the center in April or May to try to make up the revenues that were lost from the beach dances.

Mr. Kleinhans asked about the capital lease program and if there was any answer from the Board of Ed regarding their inquiry.

Mr. Larcen and Mr. Langan said that they were just waiting for an answer back from the Board of Ed however, they felt that what Mr. Formica had said at the last meeting regarding the process was correct and that they were just waiting for confirmation from the Board of Ed on the process.

## **F. New Business**

### **a. Discussion and possible action – Special Appropriation in the amount of \$21,995 for a laptop computer, batteries and communications trailer as requested by Emergency Management**

Mr. Formica noted that Pearl Rathbun of Emergency Management was present and could explain this to them and answer any questions that they might have.

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

Mr. Kelley moved to approve a Special Appropriation for the East Lyme Emergency Management in the amount of \$21,955 for the purchase of a laptop computer, batteries and a communications trailer to be reimbursed by the Nuclear Safety Emergency Preparedness (NESP) fund.

Mr. Hart seconded the motion.

Mr. Hart asked about the trailer.

Ms. Rathbun said that it is not just a trailer but also all of the equipment that goes in it. It can be used as a mobile EOC and communications center.

Mr. Hart asked if they have a vehicle to tow the trailer and if it would be stored inside or outside.

Ms. Rathbun said that the vehicle that will tow it is the Deputy Fire Marshal's vehicle and that for now they do plan to have it outside however the equipment can be moved in and out of it. There also may be some storage space available at the Town garage for it.

Mr. Larcen asked how they handle portable communications now.  
Ms. Rathbun said that they do not have a trailer; they have items on the fire apparatus and other vehicles and that with the trailer they plan on being able to speak to each other at the site.

Mr. Langan said that he would recuse himself from voting on this item due to his place of work.  
Mr. Kleinhans called for a vote on the motion.

Vote: 5 – 0 – 0. Motion passed.

## **G. Old Business**

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

Mr. Langan reported that they had obtained investment policies from other Towns and that they would be holding a meeting to discuss them very soon.

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

This was previously discussed.

### **◆ Review of Open Items**

Mr. Larcen noted that Mr. Langan was kind enough to do the list for this month and that he has also forwarded it to him. He said that he would like to see if the new members have any questions regarding any of the items and that he would also review the list for items that can come off. He said that he would update it with items that they receive in the management letter from the auditors, for next month.

## **H. Public Discussion**

Mr. Kleinhans called for Public Discussion.

Bob Gadbois, 358 Boston Post Road said that he keeps hearing the term that ‘things are getting better’ however – people on Social Security will not receive and increase for two years and when they wrote to Senator Dodd about it, they found that it could be four years of no increases – so he does not know how things can be getting better.

Mike Schulz, Lovers Lane said that he was under the impression that the Emergency Management Communications equipment was needed however; they just spent nearly \$2M on a huge state of the art communications system for everyone to be able to communicate with each other. He said that he questioned if he was wrong about how they are supposed to be able to communicate with one another with the new system and the need for this one.

Karen Rak, 27 Black Point Road said that Mr. Larcen had brought up the question on revenues from Youth Services and that she would suggest that they carefully scrutinize them as in November they were open for programs for the youth for a total of seven (7) hours. They cannot generate revenues that way when they have full time staff there that they are paying. She asked that they please look into that.

## **I. Board Comments**

Mr. Formica said that it was \$1.3M for the communications system and that the trailer and communications system that they are getting with reimbursable funding is a portable equivalent. He also said that he would check into the Youth Services programs.

Mr. Langan asked that as they had granted an extension on the audit to the end of this month (January) – if they would have to meet prior to the end of the month to act on the audit. He said that they formally voted on it and that they would have to formally vote on the management letter and final audit and they would not receive that until later this month. If they wait until their next meeting, they would miss the January 31, 2010 extension deadline.

Mr. Formica said that he would get back to them regarding if they need to meet once he meets with the auditor this Friday regarding the management letter and final audit.

Mr. Kleinhans distributed last years budget review schedule and asked that they all review it and get back to him with any comments that they might have on it. He asked the Recording Secretary to update the dates to this year and redistribute the schedule for review and discussion.

Mr. Hart said that he has attended the Pension Committee meeting and that if any of his fellow Board members would like any specific information on it to please let him know.

### **J. Adjournment**

Mr. Kleinhans called for a motion to adjourn.

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

Mr. Kelley moved to adjourn this Regular Meeting of the East Lyme Board of Finance at 8:32 PM.

Mr. Hart seconded the motion.

Vote: 6 – 0 – 0. Motion passed.

Respectfully submitted,

Karen Zmitruk,  
Recording Secretary