

Town of East Haddam  
Board of Finance  
January 14, 2008  
Special Meeting

**1. Call to Order**

The Special Meeting of the East Haddam Board of Finance was called to order on Monday, January 14, 2008 at 6:50 p.m., at the Town Office Annex, by Chairman Paul Maxwell.

In attendance were Matthew Budzik- arrived 7:04 pm, Bob Bennett, Dave Meade, Bruce Dutch, Paul Maxwell and Sue Link.

Also in attendance were First Selectman Mark Walter, Michael Harris, Barry Bernabe and Christine Caruolo –Webster Bank and Ruth Ziobron.

The Pledge of Allegiance was recited.

**2. Approval of Minutes**

**a. Regular Meeting of December 3, 2007**

**Motion by Mrs. Link to approve the regular meeting minutes of December 3, 2007 as presented. Second by Mr. Bennett and unanimously passed.**

**b. Special Meeting of December 17, 2007**

**Motion by Mr. Bennett to approve the special meeting minutes of December 17, 2007 as presented. Second by Mr. Meade and unanimously passed.**

**3. Correspondence**

**a. Juvenile Funding available**

This funding would be through the police and Family Services. Mrs. Tatro will research the matching grant percentage and report back at the next meeting. The Juvenile Funding- can be pushed to fiscal year 2008-09. Funds can start to be spent this September with a deadline of September 2009. The town's exposure would be the same amount as the grant. For example if the town applies for \$20,000 then the town's exposure would be \$20,000 out of the budget. The application deadline is April.

**b. STEAP Funding available**

Mrs. Tatro stated she believed the STEAP funding did require a matching contribution. STEAP funding may be used for the rehabilitation of the existing middle school into town offices.

**c. Watershed Grant available**

Mr. Ventres has advised Mrs. Tatro that he believes the town would qualify for this grant for watershed planning on the Salmon River. Mrs. Tatro stated she believed there was not a matching contribution required and that she would report back at the next meeting.

**d. Midstate Grant for new elderly and disabled transportation vehicle**

This grant can be used to purchase a new bus for the senior center. The town meets the grant qualifications. A 50/50% match is required. The deadline is March 15, 2008.

**e. Title III funds available**

Mrs. Tatro will attend a meeting January 25<sup>th</sup> about Title III funding and will report back. A completed application is due February 15<sup>th</sup>. Funding covers transportation, health and dental, other community services and disease prevention. Mrs. Tatro will consult with Mrs. Rocznik.

**f. Youth and Family Services grant**

Tony McCabe had advised Mrs. Tatro that she would like to apply for this grant. The grant is \$125,000 a year for five years. Mrs. McCabe has requested help from the town in applying for the grant. Mrs. Tatro is awaiting further information from Mrs. McCabe.

**g. East Haddam Library financial statements**

The East Haddam Library financial statements, prepared by their accountant were included in member's packets.

Mr. Meade suggested the Youth and Family Services grant and Juvenile Funding consider applying jointly.

None of the grants have been applied for to date. Mrs. Tatro requested permission to apply for the Juvenile and STEAP funding and the Watershed and Midstate Grants. Mr. Meade stated the board needed to know what the town's exposure would be with the 50/50% matches and what fiscal year the grant moneys would be received. Mr. Meade stated the board needed to know where from the budget the matching portion would be allocated. Mr. Meade explained if it would be applied to next year's fiscal budget, it would need to be included in the budget planning process.

**Motion by Mr. Dutch to change the order of the agenda and proceed to New Business b. Michael Harris -\$250. Second by Mr. Meade and unanimously passed.**

**10. New Business****b. Michael Harris -\$250**

A summary of Mr. Harris's requests was included in board member's packets.

Mr. Harris requested funding for administrative assistance to input data of town electrical usage, on a data base, in order to provide a spreadsheet. The spreadsheet will allow for analysis in the future; prioritizing savings opportunities in the town buildings. This data can also be sent to the Connecticut Clean Energy Fund (CCEF) to help them provide the town with cost information pertinent to the Clean Energy Communities program. Mr. Harris stated the utility company had informed him they were unable to provide electronic versions of this information. Mr. Harris explained that providing data to CCEF was typical and the more useful electronic format would demonstrate the town's commitment to evaluating the Clean Energy Community program. The data will be useful in evaluating electricity costs. Mr. Harris stated the data would be helpful to a green committee or energy task force to understand the potential for savings, and to evaluate alternative solutions. Mr. Harris spoke of the

benefits of moving the town forward with regards to clean energy. Mr. Harris noted a decrease in energy costs in the spring of approximately 20% and explained that a spreadsheet would be beneficial for a better analysis and evaluation.

Mrs. Tatro questioned if the data would be town property to which Mr. Harris responded affirmatively. Mr. Maxwell questioned if the data would be maintained monthly or if the town would have to hire him again for the administrative assistance of inputting the data. Mr. Harris replied it was up to the board. Mr. Harris explained once the base data was inputted, he would be willing to train a town employee on how to input the data monthly.

Mr. Maxwell questioned if the Board of Education buildings were included in the data to which Mr. Harris replied affirmatively and the data would be broken down by account and building name.

Responsive to a question by Mr. Meade, Mr. Harris explained there was a premium on the face of the Connecticut Clean Energy Fund, but that it would result in a long term savings to the town. 75 households in East Haddam must sign up for the CCEF in order for the town to receive a solar panel which may be put on a town building, currently there are approximately 60 households signed up. Mr. Harris explained the town needed to sign on to the program to be eligible for a solar panel. Mr. Harris briefly reviewed the 20% by 2010 State program.

Mr. Meade questioned if the electric company would perform an analysis of town buildings to which Mr. Harris replied no. Mr. Harris highly recommended prioritizing opportunities for performing a cost benefit analysis of town energy usage.

**Motion by Mr. Meade to transfer not to exceed \$250.00 from contingency to the electric line of the budget (707). Second by Mr. Bennett and unanimously passed.**

**Motion by Mr. Bennett to change the order of the agenda to proceed to Old Business g. Webster Bank bonding presentation. Second by Mr. Meade and unanimously passed.**

## **9. Old Business**

### **g. Webster Bank Bonding presentation**

Christine Caruolo and Barry Bernabe distributed and discussed the following:

- Presentation to the Town of East Haddam Board of Finance, Monday, January 14, 2008. Webster.

Mrs. Caruolo recommended the town to roll the BANs over until the full amount of the project is determined. Mrs. Caruolo stated when it was time to bond the BANs, that other projects could be included in the bond, reducing administrative fees. The maximum amount without full financial disclosure in which a BAN can last is 9 months. Mrs. Caruolo recommended this option. This form of BAN can be rolled over 3 times. On the 3<sup>rd</sup> payment, a 5% pay down will be due. The BAN can be rolled over for a total of 8 times before bonding is required provided the pay down requirements are met. Rolling over the BANs too many times can incur more expense than issuing a bond. Mrs. Caruolo explained the notes were due in May and recommended rolling them over for the full amount, pay off the maturing BANs with a new BAN which would be due February 2009. Mrs. Caruolo explained at that point the school project and State audit should be complete. This would give the town a definite figure to bond for, and not an estimate or guess. Mrs. Caruolo stated other projects which were ready for permanent financing could be included in the bond which would save the town money on issuance costs.

Mr. Dutch questioned how much would be saved. Mrs. Caruolo replied the cost of issuing individual bonds which was approximately \$50,000-60,000 per bond. Mr. Budzik questioned how much it cost to roll over the BANs. Mrs. Caruolo replied \$10,000 – 20,000. The bond counsel and legal fees are the largest variable upon the anticipated fee. Mrs. Caruolo explained that the cost of interest for an extra nine months should be taken into consideration.

Mrs. Link questioned how long it would take the State to perform the audit for the school project. Mr. Meade replied six months. Mrs. Tatro stated the time frame would not start until the School Building Committee and the Board of Education accepted the project. If there is a delay, it will affect the State audit and bonding process. Mrs. Tatro stated the town could bond for the known incurred costs and roll over the short term variable amount which would be determined by the State audit. Mrs. Tatro explained when the State finished the audit and the town received the final payment, it could pay back the short term notes which were issued, eliminating the need for another bond. Mrs. Tatro explained there was risk involved with this option, because it is an unknown amount which could be more than anticipated.

Mrs. Caruolo reiterated her advice of rolling over the BANs and waiting for the State audit before bonding, in order to issue just one bond and reduce administrative costs etc. Mr. Maxwell commented the benefit of this option would be the ability to bond for the new middle school, conversion of the existing middle school and open space all at the same time. Mr. Maxwell questioned the difference in cost to bond the new middle school by itself verses bonding all three together. Mrs. Caruolo replied the difference would be the cost of issuance or the cost of bonding each time. The cost of bonding is approximately \$50,000 to 60,000 depending upon the amount borrowed and interest rate. Mr. Maxwell questioned if there was a significant expense based on the amount borrowed to which Mrs. Caruolo replied no. Mrs. Caruolo and Mr. Bernabe briefly reviewed the tiered rating system.

Mr. Maxwell commented bonding all the projects together presented a potential savings to the town of \$100,000. Mr. Bernabe explained that the larger the bond issue, the larger the impact during the next budget year. Mr. Bernabe stated 2 or 3 bond issuances scattered over a period of time could relieve some of the budgetary impact. Mr. Bernabe stated interest rates were an unknown factor.

Mr. Meade noted a key fact with it was the amount of debt the town carries relative to the capacity to pay. Mrs. Caruolo stated legally the town had a large borrowing capacity.

Mr. Budzik stated the plan in which the board had been budgeting for was to anticipate the open space, conversion of the existing middle school and the new middle school. The bond costs to the town were built into the assumptions. Mr. Bernabe complimented the board's work in developing a plan to anticipate future expenses and lower the tax impact to the town. Mr. Bernabe stated it was forward thinking of the town to set aside funds ahead of time for the mitigation of a bond issue.

Mrs. Caruolo reminded the board to start budgeting for the interest which would need to be paid back. Usually the first interest payment is started six months after the dated date of the bond. Based on the proposed plan, the first interest payment would be November 15<sup>th</sup> and the first principal payment would be a year later, at which time principal and interest payments are due. Two interest payments and one principal payment would be due each year.

Mr. Maxwell questioned if there was a significant difference in the interest rate between the roll over charges of the note, verses bonding the project tomorrow. Mrs. Caruolo replied the yield curve was currently steep. Short term money is less at 2 ½ - 3%. Bonds are currently around 4%. Mrs. Caruolo explained there were many variables which would affect the interest rate; such as how long the

money is borrowed for. Mrs. Caruolo stated there were reports that the Federal Reserve may cut interest rates. Mrs. Caruolo explained there was not a direct correlation between the market and the municipal market in that the municipal market was a bit slower to move.

Mr. Maxwell questioned the spread today between notes and bonds. Mrs. Caruolo replied 100 - 150 basis points. Mr. Maxwell stated based on that information, by bonding next year verses this year there would be at least a \$200,000 cost savings in interest expenses because it is cheaper to issue notes. Mr. Meade commented the interest on the money in the bank not spent needed to be taken into account when determining the cost savings. Mrs. Caruolo stated the town was earning 4 ½ %. Mrs. Tatro stated the interest costs budgeted gross was \$736,000 for the money borrowed, there was a \$64,000 premium paid and that the board had budgeted \$350,000 interest income, some of which will be reimbursed by the state. Mrs. Tatro stated she was still awaiting the form to be developed by the state.

Mrs. Caruolo reiterated her advice of rolling over the BANs and waiting for the State audit before bonding, in order to issue just one bond and reduce administrative costs etc.

Mr. Bernabe reiterated the importance of the School Building Committee and the Board of Education accepting the project so as not to cause a delay of the State audit of the project so that bonding can proceed.

A decision by the board will need to be made during the March meeting.

Mrs. Tatro reviewed up to date expenditures for open space. Mrs. Tatro stated if the BANs were to be rolled over in May, additional funds could be taken out to pay the town back for the money taken out of the undesignated fund for the open space. The town would be responsible for paying interest on it, but then it would be rolled over into the single bond when it is issued. Mrs. Tatro highly recommended this option. It would allow for the most recent financial statement of June 30<sup>th</sup> for the rating agency to look at as being very favorable, because there would be a strong undesignated fund balance with no outstanding debt.

Mr. Meade requested Mrs. Tatro to provide the hard figures for the open space before the March decision.

Mr. Maxwell questioned exactly when funds were needed for the middle school conversion project. Mrs. Tatro replied she had informed the Middle School Conversion Committee of the board's intent to bond all of the projects together and that a solid bid number was necessary to receive any funding from the town. First Selectman Walter stated there were many unknowns as to who would be allowed to utilize the converted middle school. Mr. Meade stated the board had been budgeting for the potential debt service. The board desires that the building be energy efficient. The consensus of the board was that the Middle School Conversion Committee should present their findings including; the needs of the town and cost value benefits of the proposed options.

Mrs. Link questioned if the board had a liaison to the Middle School Conversion Committee. Mrs. Tatro replied she would like to be the liaison but that their meetings conflicted with her schedule. A liaison will need to be appointed.

Mrs. Tatro stated bonding the three projects together could present arbitrage issues. Arbitrage is defined as earning interest on money which was received tax free. It is important that the funds which are received (bond) for the middle school conversion are used to avoid arbitrage. Mrs. Caruolo briefly reviewed the restrictions and restricted yields associated with the arbitrage ruling by the IRS.

Mr. Meade reminded the board that the operating costs of the vacated middle school needed to be budgeted for.

Responsive to a question by Mr. Bernabe, Mr. Meade reviewed the board's plan to retired debt and put it back into long term debt, making it available for repayment on future debt. Planning for debt; reduces interest payments for the town. The board's plan takes into consideration future debt. Mr. Bernabe stated he used this example in other towns and that he was impressed with the board's forward thinking. Mr. Bernabe stated it was a conservative plan. Mr. Meade stated it was more of a progressive plan than a conservative plan because it looked forward. Mr. Maxwell stated the plan took a long term view of expenditures as opposed to minimizing mill rate impact on the short term. Mr. Maxwell stated the idea was a level mill rate for the town. Mr. Meade stated the road's study (a future project) was currently being planned for.

Mrs. Tatro stated the current fund balance was significant in order to ease the mill rate increase when the bonds are purchased to ease the tax rate increase on tax payers. Mrs. Caruolo stated rating agencies encourage the usage of using the fund balance and encouraged the articulation of the town's plan to use the funds for a capital project. Mrs. Caruolo discouraged using the fund balance for operating expenses.

## **5. Chairman's Report**

### **a. Vice Chair position**

It was decided not to have a Vice Chair position.

### **b. Liaison assignments**

Liaison assignments and schedules were reviewed.

Mr. Maxwell explained of the importance of liaisons meeting with departments to help with their presentations to the board during budget season.

### **c. Other**

Board members briefly discussed why there were two libraries in town. Combining both in the converted middle school was suggested. This would maximize the space, reduce maintenance costs, etc.

## **6. First Selectman's Report**

Mrs. Tatro informed the board that the town had locked in a price for fuel for town vehicles through the state bidding process; for one year for 16,500 gallons (4 year average) of unleaded gas at a cost of \$2.97 (including taxes) per gallon. The gas will be used for town vehicles such as senior bussing, school bussing, snow plows, etc.

First Selectman Walter informed the board that the Connecticut Conservancy was requesting access and funding for studying the Salmon River Watershed, similar to the Eightmile River Watershed study, in order to protect the water which feeds into the Salmon River. Working capital is needed for the study. The town will wait for a written plan before making a decision to funding of the project.

The Board of Selectmen have finalized the Ethics Policy based on feedback from counsel. The final revisions will be edited and presented for town approval soon.

The Middle School Conversion Committee has requested an amount not to exceed of \$50,000 for engineer studies. The board will wait for more detailed plans before making a decision.

First Selectman Walter reported he was working to re-energize the mobility project funding which the town had lost. First Selectman Walter has met with Senator Dodd's office and indirectly with Eileen Daily and Linda Orange. The Department of Transportation has advised First Selectman Walter on the process of re-energizing the mobility project funding. There is currently \$250,000 remaining funds which would require a written plan for disbursement. First Selectman Walter stated the funding could be used in conjunction with the Economic Development's plans for the revitalization of the village area.

First Selectman Walter informed the board that the Goodspeed Opera House had given the town in writing, their plans that when actor housing came up for sale in town (after the new actor housing is built) the houses would be available for the village area project.

The Economic Development Commission will put in writing the plans for the village area within the next week. The written document will be forwarded to Senator Dodd' office, Linda Orange etc. for re-energizing the mobility project funding.

#### **a. Milan Cais update**

First Selectman Walter reported on the Power House Road and Smith Road fires. The remaining structure on Power House Road is a potential hazard to the neighborhood. First Selectman Walter informed the board that the town would need to clean up the property, and put a lien on the property, because there was no insurance. First Selectman Walter has been advised by legal counsel. There are three options which the property owner may choose from, all of which will reimburse the town, based on the sale of the property. First Selectman Walter complimented the volunteer fire department on their work and time fighting both of the fires.

#### **b. Other**

**Motion by Mr. Bennett to go into executive session at 8:36 pm to discuss personnel issues inviting First Selectman Walter and Ruth Ziobron. Second by Mr. Bennett and unanimously passed.**

**Motion by Mr. Bennett at 8:42 pm to come out of executive session. Second by Mrs. Link and unanimously passed.**

**No decisions or motions were made.**

### **6. Finance Director's Report**

#### **a. YTD Budget status**

The Town of East Haddam Year-To-Date Budget Report was included in board member's packets.

An updated budget review schedule was distributed and briefly discussed.

Responsive to a question by Mr. Maxwell, Mrs. Tatro replied she would be submitting the RFP (Request For Proposal) for Public Accountants this week. A decision will need to be made by the March meeting.

Mr. Budzik requested a presentation regarding the annual audit during the February meeting.

## **7. Liaison Reports**

There were no liaison reports.

## **8. Guests and Audience Comments**

There were no comments.

## **9. Old Business**

### **a. Middle School status of reimbursements**

Mrs. Tatro distributed and discussed the following:

- East Haddam 4-8 School, State Project, Budget Report for the Month of December 2007.

Mrs. Tatro informed the board that the \$9,600,000 cost for the January referendum was considered an unauthorized cost increase by the State because it had not been approved through their bonding package. Mrs. Tatro explained the town could not be reimbursed for any of those funds until approved by the bond commission. Approval is not anticipated until May or June of 2008.

Mrs. Tatro informed the board she anticipated a January reimbursement of approximately \$5,777,000. Mrs. Tatro stated the reimbursement request submitted today maxed out every acceptable eligible line item and she was anticipating a March payment of approximately \$380,000. Mrs. Tatro stated the town would not receive anymore reimbursement until the bonding package passed in May or June. Mrs. Tatro stated more money than anticipated would be needed until the BANs are rolled over. Mr. Maxwell advised contacting Webster bank. Mr. Budzik stated the additional money would need to be secured through a BAN. Mrs. Tatro will update the board on this issue at the next meeting.

Responsive to a question by Mr. Maxwell, Mrs. Tatro replied the project was slightly ahead of schedule and within budget. There was a brief discussion regarding the school project's budget. Mr. Meade complimented the School Building Committee on their management of the budget.

### **b. Middle School – status of construction**

### **c. Middle School – update on land issue**

**Motion by Mr. Budzik to go into executive session at 9:00 pm for the purpose of discussion land negotiations inviting First Selectman Walter and Ruth Ziobron. Second by Mr. Meade and unanimously passed.**

**Motion by Mr. Dutch to come out of executive session at 9:03 pm. Second by Mr. Meade and unanimously passed.**

**No decisions or motions were made.**

**d. Fire Fighters Pension**

Mrs. Tatro reported she and the Asset Manager will be presenting a pension plan to the Fire Fighters Pension Board. It is the desire of the town to put the proposed plan in force July 1, 2008.

**e. Assessor reval update**

A Public Information night will be tentatively scheduled for Thursday, January 24<sup>th</sup> at 7:30 pm, place to be determined.

**f. Elderly tax relief program update**

Tabled.

**10. New Business**

**a. Pace car pledge program - \$300**

Tabled.

**c. Little League fields grant**

The Little League applied for and received a \$50,000, no matching grant. The town must accept and administer the grant.

**Motion by Mr. Budzik to authorize the Little League to apply for the grant, accept the grant and recommend the Selectman to send it to town meeting. Second by Mr. Meade and unanimously passed.**

First Selectman Walter asked Mrs. Tatro to tell Linda add it to the next Board of Selectman Agenda.

**d. Policy on checking accounts**

Tabled.

**e. Transfer from contingency to Line 723-data processing**

**Motion by Mr. Meade to transfer \$7,500 from contingency to Line 723-data processing. Second by Mr. Dutch and unanimously passed.**

**11. Other**

**12. Adjournment**

**Motion by Mr. Bennett at 9:15 p.m. to adjourn. Second by Mr. Meade and unanimously passed.**

Respectfully submitted,

David Meade  
Secretary