

The Regional School District 13 Board of Education Finance Committee met on Wednesday, February 21, 2018 at 7:30 PM in the Library at Coginchaug Regional High School, 135 Pickett Lane, Durham, Connecticut.

Committee members present: Mr. Augur, Mrs. Benedetto, Mr. Booth, Mrs. Geraci, Mr. Irish, Mrs. Opalacz (arrived at 7:50 PM), Mrs. Patel, Mrs. Neubig and Mr. Stengel

Committee members absent: None

Other board members present: Mr. Moore

Administration present: Dr. Veronesi, Superintendent of Schools

Mr. Augur called the meeting to order at 7:30 PM.

Pledge of Allegiance

The Pledge of Allegiance was recited.

Mr. Augur asked everyone to introduce themselves.

Public Comment

None.

Approval of Agenda

Mr. Irish made a motion, seconded by Mrs. Geraci, to approve the agenda as presented.

In favor of approving the agenda: Mr. Augur, Mrs. Benedetto, Mr. Booth, Mrs. Geraci, Mr. Irish, Mr. Moore, Mrs. Patel and Mr. Stengel. Motion passed unanimously.

Review Charge of Finance Committee

Mr. Augur reviewed that everyone had received a copy of the Finance Committee's charge and asked if anyone had any questions. There were none.

Discuss Towns' and Region's Budgets/Budget Processes

Mrs. Neubig summarized that Region 13's budget process begins in October when they reach out to the administration in each building and department heads. They begin with zero-based budgeting and only add in things that are felt to be necessary. The budgets are due back in December and Central Office then looks through them line-by-line and asks questions. Priorities are then assigned and staffing is reviewed. The information is then entered into the budget system and then reviewed again until the administration is comfortable.

Mrs. Neubig also reviewed that the budget was presented at the February 14th Board of Education meeting and another meeting is scheduled for February 28th when they will answer any questions and have further review. The budget is online and there is also a link where community members can ask questions or makes comments. On March 7, there will be a joint meeting with the Boards of Finance, Selectmen and Education with another Board of Education meeting on March 14th. Any changes are entered and then reviewed at the next meeting.

There will be a public hearing at the Board of Education meeting in the auditorium on April 11th, the District meeting on May 7th and the referendum on May 8th. Dr. Veronesi explained that the Board may elect to have fewer meetings. Mr. Moore explained that the May 7th meeting is the formal meeting where the final budget is presented for the referendum.

Mr. Irish distributed a calendar that the Middlefield Board of Finance uses and explains that they actually start right after the first of the calendar year. The First Selectman sends out a challenge to the different departments in town and, this year, asked for zero-based budgeting. Those budgets are due back to the First Selectman at the end of February and, on March 8th, the First Selectman will present the proposed budget for FY 2019 to the town at a public hearing. There are a series of workshops held after that point to have a dialog with each of the departments to better understand their budget proposals. In the last several years, there have been shared workshops with Durham for DMIAAB as well as the Board of Education. A public hearing will be held on April 26th, when the Board of Finance will present a proposed budget to the Town. The referendum will then be held a week after the school budget referendum, on May 14, 2018. That referendum is actually on the full budget, which includes the Board of Education numbers. If it is passed, the mill rate is then set. If it is not passed, the budget goes back to the Board of Finance for revision.

Mr. Stengel explained that Durham's process is similar, but they do not have a formal presentation by the Selectmen. The Board of Finance works hand-in-glove with the Selectmen going through all of the recommendations. They begin the process in January and go through March. Durham will have a public hearing on April 2nd to present the budget and a budget meeting/referendum on May 14th. The mill rate is usually set when the budget is accepted. Last year was quite chaotic and the mill rate was not set until June 20th and was then revised by the Board of Selectmen on November 27, 2017. Mr. Stengel explained that the budget meeting/referendum is done by voice vote at the meeting on May 14th. Mr. Irish agreed that Middlefield's was the same.

Mrs. Opalacz arrived at the meeting at this time.

Mr. Irish also described that Middlefield revised their mill rate in November as well as a couple of items in the budget. The tax bill that went out in January did go down based on that revision. This was the first time that Middlefield ever revised the mill rate mid-year as per the special act of the State legislature.

Mrs. Geraci asked if Durham and Middlefield could bring budget books for everyone at the table. Mr. Stengel stated that their books are not fully put together yet. Mr. Irish stated that the First Selectman's proposed budget is on the town's website, but he will certainly bring copies to the next meeting if people would like. Mr. Augur preferred that everyone looked at the website in order to save paper. Mr. Stengel noted that Durham's budget will not be on the website until it is passed. He did explain that a draft of the budget will be available on April 2nd with the final proposed budget on May 14th and confirmed that their meetings are public.

Dr. Veronesi suggested that the Finance Committee creates a one-page document that summarizes the important dates and high level overview of the budgets. This could be kept online and updated as changes are made.

Mr. Irish also reviewed the summary history of the Middlefield budget and mill rate, showing how much of the budget goes to each of the major categories. This does show that the town has raised the mill rate by 4 mills in support of the school district significantly over time and the other categories have not gone up that much. Mr. Moore pointed out that the tax burden on the average household has only gone up \$147 in eight years, with the assessed values going down, and wondered why the District's share only dropped by \$8. Mr. Irish did not have that information. Mr. Augur pointed out that this did not include any business tax burden.

Review Towns' Current/Planned Debt/Bonding, Capital Reserves, Credit Ratings

Mr. Moore explained that the District has a great deal of debt coming up for capital improvements. Mrs. Neubig has a proposal with excess of \$10 million of building needs over the next five years. He explained that the District will probably bond for the projects and will probably not change the debt service. The debt service is currently at about \$1.1 million and this new bonding may even decrease it. The Board of Education wondered if they should be working with the towns on any new projects including a joint bond issue. The District will get a credit rating in the next year. He will distribute the 10-year capital plan to all the committee members.

Mr. Stengel stated that Durham currently has no debt, but does have the possibility of debt for Korn School and potentially for a public safety complex. Durham also has no bond rating. Durham's pension is funded at about 68 percent and the undesignated fund balance is \$3.2 million (about 12 percent from the 2016 audit). Mr. Stengel is looking to get that fund balance to a higher percentage in order to have a lower cost of debt. The reserve funds are about \$2.4 million, but some of that has been spent on a fire truck and ambulance. There are also some culvert issues coming up. There has been no real growth in the Town's real estate Grand List with just three new houses last year. There has been minor growth in the motor vehicle Grand List and ECS is declining significantly from 2016/2017 when it was \$3.9 million, \$3.4 million in 2017/2018 with holdbacks, with the legislature saying \$3.4 million in 2018/2019 and the Governor saying \$3.0 million. He summarized that there are major cuts in funding with no growth in the Grand List, but there is also no real outstanding debt.

Mr. Irish reviewed that Middlefield has four items of long-term debt (Powder Ridge, TD Bank, Merriam property, USDA and Clean Water) and debt service goes out consistently to 2020 with the last payment in 2022. He also reviewed the capital and nonrecurring fund and explained that they are trying to level out capital reserve funding and have done that at approximately \$700,000 per year.

Mr. Augur asked if there are any restrictions on how much the towns can set aside in various funds and neither Mr. Irish nor Mr. Stengel knew the answer to that. Mr. Irish stated that Middlefield tries to keep the undesignated fund between 8 and 11 percent and are at 10 percent right now (\$1.6 million). He also explained that Middlefield does not currently have a credit rating.

Mr. Stengel also commented that Durham has a major communications issue coming up and money may have to come from the undesignated fund. Mr. Irish stated that modifications may have to be done at the fire house in Middlefield.

Mr. Moore explained that the District funds their capital program in basically the same way. Mr. Augur asked Mr. Irish about rates they got at TD Bank and Mr. Irish explained that they were very favorably assessed at that time. He explained that the banks were looking at the quality of the reserves and keeping

the undesignated fund at 8 to 11 percent shows fiscal responsibility. There was discussion that CCM has encouraged an undesignated fund of 15 percent and the Governor's theory of towns having a high fund balance.

Mrs. Neubig will put the capital plan on the District's website as well. Dr. Veronesi commented on how similar the towns and District deal with these needs.

Mr. Stengel reported that Durham's last "surprise" was when the salt shed fell down and they had to go to the undesignated fund to rebuild that. Mr. Moore asked if there were anticipated costs associated with the water main and Mr. Stengel did not think there was but again mentioned the culvert issues. There are also questions about transportation money from the State.

Mr. Irish echoed his concerns, particularly about grant funding from the State with Middlefield looking at losing road grant funding of \$100,000 per year. Mr. Stengel reported that Durham Town Aid Road funding is \$220,000 that could be disappearing. He also noted that they had been anticipating an increase in the Municipal Stabilization grant from \$25,000 to \$240,000 and the new projection is back to \$25,000.

Mr. Augur asked if the reimbursable figures given by Silver Petrucelli are locked down or could they also change. Mrs. Neubig explained that they are locked in for a year.

Public Comment

None.

Everyone on the committee re-introduced themselves to Mrs. Opalacz. Mr. Augur reviewed that the Board of Education appointed four members to this committee, two were voted in from Middlefield and two from Durham.

Mr. Augur explained that this committee will meet at the discretion of the Board of Education and no further meetings have been set.

Mr. Irish asked if the Finance Committee will give any input on the school budget and Mr. Augur stated that he had hoped that this committee would meet in place of the joint meeting of the Boards of Finance, Selectmen and Education. He then asked if the committee members would be able to convince their Boards of Finance and Selectmen to do that and he would ask the Board of Education to consider changing that meeting. Mr. Irish thought it was unlikely that he could convince the Board of Selectmen to do that. Mr. Moore suggested that maybe the four town members of this committee be designated as the Board of Finance members to attend the joint meeting. Mr. Irish does not have a Board of Finance meeting scheduled before the joint meeting.

Dr. Veronesi suggested that committee members email her and Mrs. Neubig directly with any questions and they will share their response with everyone on the committee.

Mr. Stengel mentioned the ruling from the Chief Financial Officer of the State Board of Education about ECS dollars with holdbacks would not be used in calculating MBR and asked there had been any challenges to that. Mrs. Neubig reported that she has not heard anything. She has spoken with Kevin Chambers, an education consultant and the MBR guru at the State, and he has not heard anything.

Mr. Irish reported that Middlefield has received two payments at the ECS level minus holdbacks and that difference will be \$500,000 next year, going from approximately \$300,000 down to nearly \$800,000. Dr. Veronesi mentioned that this should probably be put as an agenda item for the next meeting. She also reported that the same topic came up in a conversation with Laura Francis today. Dr. Veronesi will put the information they have in a shared document for the committee members.

Mr. Stengel did not think he would be able to make any change in the joint meeting at this point.

Adjournment

Mr. Stengel made a motion, seconded by Mrs. Geraci, to adjourn the meeting.

In favor of adjourning the meeting: Mr. Augur, Mrs. Benedetto, Mr. Booth, Mrs. Geraci, Mr. Irish, Mr. Moore, Mrs. Opalacz, Mrs. Patel and Mr. Stengel. Motion passed unanimously.

The meeting was adjourned at 8:28 PM.

Respectfully submitted,

Debi Waz

Debi Waz
Alwaz First