

Revised

The Regional School District 13 Board of Education Finance Committee met in special session on Thursday, January 24, 2019 at 6:00 PM in the Library at Coginchaug Regional High School, 135 Pickett Lane, Durham, Connecticut.

Committee members present: Mr. Augur, Mr. Lowry (as a representative for Mr. Irish), Mrs. Neubig, Mrs. Patel and Mr. Stengel

Committee members absent: Mr. Booth, Mr. Irish, Mrs. Geraci and Mrs. Opalacz

Additional Board members present: Mr. Moore and Dr. Taylor

Other members of the public present: Mr. Donahue and Mr. Stoup

Mr. Augur called the meeting to order at 6:00 PM.

Pledge of Allegiance

The Pledge of Allegiance was recited.

Public Comment

None.

Approval of Agenda

Mr. Stengel made a motion, seconded by Mrs. Patel, to approve the agenda, as presented.

In favor of approving the agenda: Mr. Augur, Mrs. Neubig, Mrs. Patel and Mr. Stengel. Motion passed unanimously.

Approval of Minutes - November 29, 2018

Mr. Donahue mentioned that he had been identified as having seconded motions and voting at the last meeting, but he could not do so as he is not a member of the committee. Any mention of Mr. Donahue voting should be removed from the minutes and his name should be replaced with Mr. Booth as having made seconds to motions.

Mrs. Patel made a motion, seconded by Mrs. Neubig, to approve the minutes of the November 29, 2018 meeting, as amended.

In favor of approving the minutes from the November 29, 2018 meeting, as amended: Mr. Augur, Mrs. Neubig and Mrs. Patel. Motion passed, with Mr. Stengel abstaining.

Town Budget Process Overview/Update and Priorities

A. Durham

Mr. Stengel reported that Bob Donahue is the new chair of the Durham Board of Finance and Mr. Stengel remains as vice-chair. They have started their budget process, collecting and reviewing budget requests

for capital reserve and operating budgets. The Board of Selectmen are focusing on the operating budgets and all budget meetings are open to the public, with the schedule of meeting on the town's website.

They work on the budget process until April 8th, when there will be an annual budget hearing at the Fire House. At that hearing, the budget will be presented and they will receive comments. On April 10th, the school district has their budget hearing and the budget meeting on May 6th. Durham follows on May 13th with a town budget meeting at the high school and between then and mid-June, they will set the mill rate.

This year, Durham's Board of Finance face a challenge with the ECS funding schedule as they don't expect to hear any amounts until May 2nd. They have also heard that DMIAAB has had some costly equipment breakdowns which will affect tipping fees for both communities. The culvert referendum passed and financing is currently being secured. The Korn Activity Center referendum failed, but that is not the end of that as the Board of Education will still own the building and any costs associated with it will come back to both towns. Meetings are being held on the Public Safety Complex and they are trying to finalize plans.

Mr. Stengel also reported that Durham's Board of Finance has just recently authorized a large purchase of hand-held devices and they will be updating networking to enable that communication. Scott Wright, Durham's coordinator of communications, is working on trying to get state or federal money for that.

Mr. Augur asked if the Public Safety Complex would be on the May referendum, but Mr. Stengel did not feel that would happen.

Mr. Lowry mentioned that property tax reform is being kicked around the General Assembly by Senator Looney. They are talking about enacting a statewide motor vehicle tax of at least 15 mills, but not more than 19 mills and establishing a \$50,000 homestead exemption to be applied to the assessed value of one- to four-family owner-occupied residences. They are also discussing establishing a 1 mill statewide tax on real property with an adjustment for the homestead exemption and applying the receipts of statewide taxes established in subdivisions to fund PILOT program reimbursements to municipalities. Mr. Lowry explained that car taxes account for \$2 million in Middlefield which would equate to a 5 mill increase. The legislature is also looking at exempting the first \$25,000 of assessed value of business/personal property from the municipal property tax. Neither Mr. Lowry nor Mr. Stengel had a sense of the percentage of taxes that come from business/personal property.

Mr. Lowry also mentioned that Middlefield doesn't have any major bonding coming up and will be debt-free in 2022. They will be starting a road funding project. The capital fund is level-funded now.

Mr. Augur asked if Durham was also pursuing level funding of their capital program. Mr. Stengel explained that they have a separate capital budget and try to have 10 years of data and put money in reserves. He doesn't believe it is level-funded yet, but they are trying to cover it all without borrowing. They knew about the culverts, but chose to fund them with bonding.

Mr. Lowry stated that Ed Bailey had a meeting about DMIAAB and felt that tipping fees will get to \$100 per ton, but hoped that the increase would be around \$14.

Mr. Stengel noted that the only thing for sure that Durham will bond or borrow for is the culvert project.

Mr. Lowry asked if the district will be getting water out of Middletown and Mr. Moore explained that that will happen. Gas will also be included and the road will be improved at that time.

B. Middlefield

Mr. Lowry stated that the process in Middlefield is essentially the same as Durham's. Ed Bailey is working on a budget which will be forwarded to the Board of Finance. They then interview all of the departments. Last year, next to no changes were made to the Selectman's proposal.

The challenges for Middlefield will be the state budget and the ECS money declining. Mr. Lowry also commented that people are in denial about enrollment declining. Middlefield is down to 30 first graders. Mr. Moore stated that people look at class sizes and class sizes have increased due to fewer teachers. Mr. Lowry also felt that the district should show people the fixed costs to operate a school.

Region 13 Capital Needs and Financing Options

Mrs. Neubig reviewed the immediate critical items of \$4.7 million (boilers, chillers, etc.) and explained that they are all well beyond their useful life. These items are at Brewster, Memorial and in the district. John Lyman School was not included in this list. Moving to end-of-life 2023, the need will be \$5.5 million. If there is going to be any construction at Brewster, they would look at those items during the construction and it would total just over \$6 million.

Mrs. Neubig showed some informational slides regarding the existing debt service. \$6.9 million is the most the district can borrow and maintain a level-funded debt service. The slides also contained information about borrowing \$10 million and \$13 million. Mr. Augur mentioned about level-funding the capital compared to the bonding of the \$6.9 million.

Mr. Stengel asked what the district gets with \$6.9 million. Mrs. Neubig explained that all immediate needs would be covered except for Lyman and as much of the 2023 end-of-life systems as possible. The capital plan has the detail for each school and some of the projects may be state-reimbursable. Strong and Cuginchaug do not have any critical end-of-life systems until 2023. The track may come up faster than anticipated. Mrs. Neubig explained that the \$6.9 million is more than the immediate needs at this point and therefore some of the 2023 end-of-life systems can be taken care of with that bonding.

Mrs. Neubig went on to review the existing debt principle and explained that, if they borrowed, there would be a spike, but then a decline beginning 2021-2022. Some existing debt falls off in 2021-2022 and more at the end of 2025.

In summary, Mrs. Neubig explained that if they bond the \$6.9 million, it will not increase the yearly budget and would level-fund it. It would extend the debt out to 2039, from 2025, and takes advantage of the 2021-2022 drop with the first payment being due in the 2021-2022 year. If they were to borrow \$10 million, that would increase the debt service but would start to decline in 2021-2022.

Mr. Augur stated that he would be in favor of nothing but the \$6.9 million and believes that the Board can responsibly fund capital along the way. The capital budget was around \$200,000 last year and Mr. Augur

felt that that could be funded at a higher level. Mr. Lowry agreed that he would not want to see the district borrow more than the \$6.9 million. Mr. Stengel felt that people are terrified of budgets going up due to the declining enrollment.

Mr. Augur explained that the board would like this committee to help frame the message to the public. He also felt that some things were ignored here as well. Mr. Stengel noted that the district put off funding any reserve for the track for several years and Mr. Moore agreed, stating that they were trying to keep the budget level. Mr. Stengel felt that it would be very difficult to go beyond a level budget when enrollment is declining.

Mrs. Neubig explained that none of the projects listed as immediate needs are reimbursable, but some code compliance and roofs may be as well as some of the new construction. They hope to apply for a grant by June. Mr. Augur stated that when Lyman falls off, there would be savings in the overall budget and capital reserve could again be looked at. Mr. Stengel also mentioned that the district may need to spend \$1 million to raze Korn School.

Mr. Augur shared that District 17 had closed a school and they had done an RFP for the reuse and redevelopment of it. He had shared this information with Ed Bailey and Bob Yamartino and asked for Middlefield's input. Mrs. Neubig explained further information needs to be obtained if a lease situation is desired.

Mrs. Patel could not think of any reason not to bond. Mr. Lowry felt it could easily be sold with level funding. Mr. Moore explained that the district's referendum would include the bonding as a separate question. Mr. Augur summarized that it sounds like the Finance Committee has reached consensus on the \$6.9 million and not higher.

Public Comment

Carl Stoup felt that money is going to be tight this year and he felt that all projects, small or large, need to be looked at as to whether they are a need or a want. He mentioned the storage/field house and felt that that project would grow from year to year and be a high maintenance building.

Adjournment

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

In favor of adjourning the meeting: Mr. Augur, Mrs. Neubig, Mrs. Patel and Mr. Stengel. Motion passed unanimously.

The meeting was adjourned at 6:53 PM.

Respectfully submitted,

Debi Waz
Alwaz First