

The Regional School District 13 Board of Education Finance Committee met in special session on Wednesday, December 14, 2022, at 5:00 PM in the library at CRHS.

Committee members present: Mr. Armstrong, Ms. Benson, Mr. Faiella, Mrs. Opalacz and Mr. Stone
Administration present: Mrs. Neubig, Director of Finance, and Dr. Schuch, Superintendent of Schools
Committee members absent: Mr. Martinelli, Mr. Neidhardt, Mr. Skelps
Board members present: Mrs. Dahlheimer (arrived late), Mr. Moore (arrived late) and Mrs. Petrella

Mr. Stone called the meeting to order at 5:03 PM.

Pledge of Allegiance

The Pledge of Allegiance was recited.

Public Comment

None.

Approval of Agenda

Mr. Faiella made a motion, seconded by Mrs. Opalacz, to approve the agenda, as presented.

In favor of approving the agenda, as presented: Mr. Armstrong, Ms. Benson, Mr. Faiella, Mrs. Opalacz and Mr. Stone. Motion carried.

Approval of Minutes - November 15, 2022

No amendments or corrections were made to the minutes of November 15, 2022. According to Robert's Rules, the minutes are deemed approved, if not amended or corrected.

Debt Service

Mrs. Neubig sent out the bar chart on what the debt service looks like to the committee members for future planning of facilities and the potential Memorial K-5 configuration. Debt service remains primarily flat for the next three years. At the end of the 2024-2025 fiscal year, debt service drops down by between \$300,000 and \$400,000, then dropping off in full at the end of the 2041-2042 fiscal year. Mrs. Neubig explained that level funding the debt service in the budget allows for further borrowing to allow for continued capital projects or school expansion without increasing the annual budget in that line item. A recent estimate of the amount the district can borrow allowing for the future decrease in debt service is approximately \$5 million.

As debt service has dropped over the last few years, it was recommended to level fund for future borrowings, however, the drop was used to help keep the total annual budget flat. A \$6.9 million bonding was last done in 2019, receiving the money in May 2021. A \$5 million 20-year bond would mean the district would be debt-free in 2044-2045. Mrs. Neubig explained that the district had a lot of capital needs and could certainly bond more than \$5 million as well as bonding to increase the size of Memorial.

Mrs. Neubig added that if the district were to bond for the Memorial configuration change, that would need to be done by November. That would not impact the budget for 2023-2024. Funds are received based on cash flow needs. Mrs. Neubig explained that the \$6.9 million bonding is still ongoing as it included the culvert and Memorial mechanicals and roofs which are almost completed. Brewster mechanicals were not done and depending on the future use of Brewster School, the board may need to decide whether they return those funds or repurpose them for items in the original bond.

District-wide Capital Needs

Mrs. Neubig previously shared the list of capital needs with the committee members. The list is broken down by school. The items in red are critical, end-of-life items. She had also listed the funding sources for each project. Right now, if Lyman were to close, needs totaling \$4.2 million would go away. The total is currently \$26 million and the plan has no time limit (30+ years out). She has also included an escalator for every couple of years.

If Memorial is renovated, a lot of things on the list could be incorporate into that project. If Brewster isn't used as an everyday elementary school, some of those items might go away too.

Mrs. Opalacz asked if there would be the ability to bond again once they level the debt service and Mrs. Neubig explained that the debt service falls off again in 2041-2042. She added that \$5 million is not a lot to accomplish the district's needs and the Memorial project would probably need to be separate which would increase the debt service. Mrs. Neubig explained that if they go for a state construction project, they would have to bond at the full amount in order for the state to approve reimbursement. The district is currently at 52.4 percent reimbursement for renovations and that rate could potentially decrease in future years. New construction is reimbursed at a lower rate.

Budget Information Requests

Mrs. Petrella would like to ask the chairs of the Boards of Finance from each town to talk about their particular capital needs, debt, etc. at the next meeting. Mrs. Dahlheimer explained that she did ask them both and they will ask their boards.

Mr. Faiella reviewed that the school district is only allowed to save 2 percent for capital reserve while the towns save much more. He felt that Middlefield's reserve is ridiculously high and Durham probably holds just as much. If the towns want to keep funding those reserves and say there's no money, something needs to be done. Mrs. Petrella added that when she first got on the Board of Finance, there was no process for saving for capital. They inventoried everything in the town, created a spreadsheet and began saving for the items. Mr. Faiella agreed that it serves a purpose to a certain extent, but felt they need to be reasonable when something needs to be done in the schools.

Mrs. Dahlheimer felt it was frustrating to know that the district can only save 2 percent and people have varying ideas about what is reasonable for the towns to save. Mr. Faiella explained that Middlefield has a \$2.5 million general reserve and another specific reserve of about \$4 million for specific needs. Dr. Schuch asked if there were thresholds in the towns and Mr. Faiella felt that there was a general guidance that they like to keep their reserves at about 12 percent.

Mrs. Opalacz stated that the district has been utilizing their reserves.

2023-2024 Budget Information

Mrs. Petrella explained that the committee members can delve into the budget once it is available. Mrs. Neubig added that the Superintendent's budget will be presented at the February 8, 2023 board meeting and everything will go on the website the next day. She offered to answer anyone's questions after that.

Mrs. Opalacz asked if the district looks at current situation vs. budget forecast and Mrs. Neubig explained that they have used the anticipated surplus in the past, but it is too early to do that at this point in time. By state statute, the district is required to use the surplus to balance the budget and cannot return it to the towns.

Mrs. Opalacz asked if the district has ever done a study to look at Central Office costs compared to other districts. Mrs. Neubig noted that it had been done by a previous board a few years ago, but she has not done it. Dr. Schuch stated that the State of Virginia incentivized districts to contract with professional third parties to get school efficiency reviews that looked at all groups of employees. He added that most people did not like the results because they found that districts had undersized Central Offices and needed to add people. Mrs. Opalacz has read some articles that state that the teacher population in schools is not increasing, but administration is going up.

Mrs. Petrella explained that a spreadsheet is being created that will show staffing at each school, including the number of teachers, office staff, etc. That should provide an idea of the number of bodies in the district. Mrs. Dahlheimer added that that will be included in the Superintendent's budget packet. That information won't be compared to any other districts, but will at least show what the district has. Dr. Schuch also added that smaller districts actually have the same administrative workload as larger districts, due to reporting, etc., which makes the district less efficient on a per-pupil basis.

Mr. Faiella stated that an outside person looking at the budget sees declining enrollment and the teacher count. Administrative-wise, the correlation doesn't exist. Dr. Schuch agreed that that is generally not the case, especially at the building level. He has seen instances where schools share principals, counselors or secretaries but he would not be in favor of that. Mrs. Neubig added that one or two less administrators would not move the per-pupil number in a significant way as it will take millions of dollars to see any significant reduction.

Mr. Faiella asked what the budget changed year-to-year and Mrs. Neubig confirmed that it is a few hundred thousand. He felt that one administrator would make a difference in that. Mrs. Neubig explained she was referring to per-pupil expenditure. Mrs. Opalacz felt that it would require a complete overhaul and Dr. Schuch agreed, adding that some districts put in position control metrics that would be automatic. He felt that they would need to be clear about what the impact on services would be in removing a position. He also felt that it sometimes does make sense to outsource.

Mrs. Petrella asked the committee members to let her or Mr. Stone know of anything they would like to have on the agenda for the next meeting.

Mrs. Opalacz was trying to figure out how to present the budget information to the public in a more understandable way to get buy-in. She believes that everyone is struggling to understand what's happened in the last five years and why it hasn't gone down.

Mrs. Neubig explained that there are a few items in the budget that do not factor into the per-pupil cost. The per-pupil cost is done by a state formula and average daily membership is included. PreK, summer school and days in excess of 180 days are also added. Debt service is not included, but everyday expenses are.

Mrs. Petrella asked the committee members for any ideas of how to make the budget clearer to the public.

Public Comment

None.

Adjournment

Mrs. Opalacz made a motion, seconded by Mr. Faiella, to adjourn the meeting.

In favor of adjourning the meeting: Mr. Armstrong, Ms. Benson, Mr. Faiella, Mrs. Opalacz and Mr. Stone. Motion carried unanimously.

The meeting was adjourned at 5:45 PM.

Respectfully submitted,

Debi Waz

Debi Waz
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