

Joint Meeting of the Boards of Education, Selectmen and Finance

September 13, 2017

The Regional School District 13 Board of Education met in special session on Wednesday, September 13, 2017 at 8:30 PM in the Library at Coginchaug Regional High School, 135 Pickett Lane, Durham, Connecticut in a joint meeting with the Durham and Middlefield Boards of Selectmen and Boards of Finance.

Board of Education members present: Mr. Augur, Mrs. Boyle, Dr. Friedrich, Mrs. Geraci, Mr. Hicks, Mr. Moore, Mrs. Petrella, Mr. Roraback, Dr. Taylor and Mr. Yamartino.

Durham Board of Selectmen members present: Mrs. Laura Francis and Mr. John Szewczyk.

Durham Board of Finance members present: Mrs. Nancy Cuomo, Mrs. Laurie Tuttle, Mrs. Loraine Coe and Mr. Martin Anderson.

Middlefield Board of Selectmen members present: Mrs. Taryn Ruffino, Mr. Ed Bailey and Mr. Jon Brayshaw.

Middlefield Board of Finance members present: Mrs. Mary Wolak, Mrs. Alice Malcolm, Mr. Jim Irish, Mr. David Lowry and Mr. Joel Nick.

Administration present: Dr. Veronesi, Superintendent of Schools and Mrs. Neubig, Business Manager.

Pledge of Allegiance

The Pledge of Allegiance was recited.

Public Comment

Carl Stoup stated that he has reviewed several schools with similar enrollment. When comparing with our \$19,463 cost per student, he has found one that has a cost per student of \$16,765 and the other is \$14,370. These schools have roughly the same number of buildings and close to same rating on the high school. Mr. Stoup has a problem with a 21 percent reduction in students and a 51 percent increase in budget.

Mya Lis, a parent and resident from Durham, felt that the last place the towns should be looking to cut is the education budget. She feels that the most important function of the towns is to provide a good education to the children and that mid-year cut would be disruptive to that education. She would much rather see the towns look to the reserve funds to fund any shortfall.

Donia Viola, from Durham, stated that she felt everybody needs to bite the bullet with no exceptions. She felt that the district has gone a long way to make things happen, but not necessarily in the right way. Mrs. Viola mentioned the continued decreases in enrollment and the budget increases. She stated that the children may be receiving benefits, but questioned what benefits are going to the taxpayers. She pointed out the class size and felt that it was time that parents, teachers, the community and the school district took responsibility. She felt that the future looks bleak, but infrastructure cannot be sacrificed for the sake of achievement. She felt that technology is great, but basics are better. Mrs. Viola has been attending board meetings since 1990 and feels it is very disconcerting that the progress only seems to build an empire rather than an institution. She felt that it is the boards' duty and her obligation to see that goals are fulfilled on both sides without always taking on one side and giving on the other.

Melissa Booth, from Durham, agreed with what Ms. Lis said and felt that parents whose children have already gone through the schools have different feelings than parents with children in the district right now. She and her husband moved to Durham because of the school system and feels that education is not where cuts should be made. She certainly does not want her taxes to go up, but she does want her children to get the education that they deserve. She also noted that if the boards continue to take things away, no one will want to move into town or send their kids to the schools. Mrs. Booth noted that she knows parents who have decided to send their children to IDS rather than John Lyman.

State Budget Update

Ed Bailey stated that the legislature is meeting tomorrow, but it is still not known if a budget vote will happen. He had spoken to both the state representative and state senator on Monday and neither had anything that they could tell him. The state budget is created by the leadership of the House and Senate and the governor and the rank and file really don't know what's going on until it is presented to them once a deal is made.

Laura Francis reported that it was announced today that a tentative agreement had been reached with the governor. The minority caucuses have come together and finally have a budget. Mrs. Francis has been told that if a budget is presented by the majority party tomorrow, the minority party will try to put their budget on the table as well. She has been told that the towns can depend on language that will allow them to adjust the second tax payments downward, if possible. She reminded everyone that the Town of Durham did put through a 3.5 mill increase and is hopeful to not have to send out supplemental tax bills. She assured everyone that the town will take some things out of the budget before sending supplemental tax bills, but will not be able to cut the entire amount.

Mrs. Francis also felt there has been a huge policy shift happening. The governor has been very explicit about wanting to send money to lower-performing and high-need districts. CCM and COST have asked legislators for the numbers, but have not seen any information yet. Of the six towns in Durham's senatorial district, three towns seem to have received bigger cuts, Madison, Durham and Killingworth. When the budget analysis document came through from the school's Finance Committee, she realized that the ECS formula is weighted both on poverty rate and income wealth. The last ECS formula had the poverty weight weighted at 90 percent and the income wealth was weighted at 10 percent. The current proposal has those weights being different with poverty rate at 70 percent and income wealth at 30 percent. This would help explain the shift for Durham and Middlefield.

Mrs. Francis mentioned that the legislators know that this budget will go dollar-for-dollar to property taxes and have a big job ahead of them. She feels that policy conversations were not started early enough in the budget process and hopes that that can happen here at this meeting. It may be entirely possible that the towns will no longer get any state aid for education and the boards should be prepared for that.

Mr. Bailey also stated that whatever budgets have come out of Hartford, the numbers get worse in 2019. There will be a structural change in the way the State of Connecticut funds municipal aid, including ECS and other things. Neither town got the town-aid road money, amounting to \$98,000 for Middlefield and \$200,000 for Durham.

Mrs. Francis also mentioned that if there is no budget passed tomorrow, it is unlikely that there will be a budget until sometime in October, possibly November, because of planned absences by legislators.

Mr. Bailey also stated that it was the governor's August 18th budget that would go into effect, not the July budget as Attorney Ritter had stated. Mr. Moore noted that the Republican budget adds money back to the towns.

Immediate and Long-Term Impact to Durham and Middlefield

Mrs. Francis explained that they have evaluated the impact of the state budgets every time one is proposed and she brought the governor's revised budget numbers and the Executive Order or Resource Allocation Plan with her tonight. The decreases run anywhere from 5 percent to 22 percent.

The governor's revised budget decreased aid to Durham from \$3.8 to \$2.9 million. Middlefield's ECS will decrease from \$1.8 million to \$600,000. The governor's revised budget also includes the teachers' pension contribution which will be \$244,649 for Durham and he is now proposing that the towns pay the normal assessment. That number seems to be a per pupil assessment, not necessarily a teacher headcount assessment which Mrs. Francis believes the cities will fight. Mr. Bailey stated that Middlefield's contribution would be \$125,000.

Mrs. Francis stated that she finds that type of policy change personally offensive because it really never got a public hearing. Comments were made that the towns did not negotiate the Teachers' Retirement fund nor do they participate in the management of it. That bill would go to the towns and would need to be paid by December 31st.

Mrs. Francis also explained that Durham's contribution to the Teachers' Retirement fund goes up to \$444,000 next year. Mr. Bailey agreed that Middlefield's contribution would basically double next year. Mr. Yamartino mentioned that Middlefield had incorporated the full amount proposed by the governor in February into the town's budget and set the mill rate accordingly.

Mary Wolak commented Middlefield put forth a very conservative budget as it was easier to know what to expect and prepare the townspeople accordingly. Mr. Bailey mentioned that the mill rate increase in Middlefield was 3.77 and Mr. Yamartino explained that the percent increase averaged 11.5 percent. Mr. Bailey felt that if everything stayed as proposed, the supplemental bill would raise the increase to 5.2 mills.

Mrs. Francis felt it would similar in Durham and explained that, using an average house value of \$350,000, the almost 4 mill increase that was assessed increased taxes by \$1,027 for the homeowner. If a supplemental bill is sent out, it will be another \$880 on top of that, representing a 22 percent increase.

Jon Brayshaw commented that if this were a corporation, we would be preparing for bankruptcy. Mrs. Wolak commented that the lack of a budget is already having an impact on a lot of people.

Mrs. Francis explained that fund balances are created from surpluses which are from either more revenue than anticipated or spending less than anticipated. The towns are not allowed to put a line item in the budget to fund the fund balance. The towns keep a fund balance for a number of reasons, first being cash flow. Fund balances are also kept to protect borrowing capacity. Durham's debt is solely associated with the district at the moment. Mrs. Francis explained that Durham will be in a negative cash flow position by May without a supplemental tax bill. Mr. Bailey stated that Middlefield will be about the same.

The current fund balance in Durham was \$3.2 million as of June 30, 2016. Durham has been anticipating capital projects with the public safety complex and Korn School, so they have not applied any fund

balance to the budget for the last four years. Before that, they would typically apply \$100,000 to the budget. Durham's policy states that they will never go below 5 percent and would like to be around 10 percent. They are currently at around 11.5 percent and have not projected to use any of that in lieu of the supplemental tax bills.

Mrs. Francis did confirm that they would try to cut whatever they can and have a conversation about the fund balance before sending any supplemental tax bills. She also explained that a mill equals \$680,000 for the Town of Durham and if they took that out of the fund balance, it would put them around 7 or 8 percent. Mrs. Francis has also been meeting with bond counsel informally and working with the board of finance to make the finances of the town healthy. The Town of Durham does not currently have a bond rating and would need to show fiscal health if they need to go to bonding.

Mr. Bailey explained that Middlefield does use some of the fund balance to offset mill rate increases. In this current budget year, they are using \$339,000 out of the fund balance (about three-quarters of a mill). The board of finance has a policy of between 8 and 10 percent on the fund balance after the allocation. Mr. Bailey also commented that Middlefield did borrow about three or four years ago and the fund balance was in a position to show good financial management. Mr. Yamartino stated that the governor feels that a 5 percent fund balance is adequate, but he did not feel that that would allow proper cash flow.

Dr. Taylor asked about Middlefield's borrowing and asked if they had received any information about an assessment of the town's credit rating, but Mr. Yamartino did not recall getting any on that. Dr. Taylor wanted to confirm whether or not use of the fund balance actually affects the credit rating and Mr. Yamartino explained that the level of the fund balance as a percentage of the town's expenses definitely does. Using part of the fund balance does not negatively affect the credit rating.

Mrs. Francis commented that the reason Durham tightened that up was because, in 2008-2009, local revenue decreased overnight. Loraine Coe also explained that the town used to use the interest to defray increase in the mill rate.

Martin Anderson commented that using the fund balance to offset increases is not sustainable, given how the future is laid out.

Mrs. Boyle asked if the state had contacted the towns about using the fund balance. Mr. Bailey stated that the Office of Policy & Management wanted to know how much money the towns had in the bank. Mr. Bailey stated that Middlefield's email system was done, so they never got the email and never told them. Mrs. Francis explained that Durham has not responded either. Mrs. Boyle felt that the bar will then be lowered if the State is asking that fund balances be brought down. River COG sent a letter and received a response from Ben Barnes, the director of the Office of Policy & Management, stating that the State was not trying to sweep the fund balances and they wanted that information to assess solvency. Mrs. Francis commented that Durham would be insolvent in May and Scotland is anticipating December.

Mr. Yamartino explained that they had contacted CCM when trying to set the fund balance policy and one town had practically no fund balance and had basically designated everything. Other towns had fund balances of 15 to 18 percent, with practically nothing in capital and nonrecurring. Mrs. Coe explained that Durham's fund balance has increased because they do have reserve funds and they don't have to go

into the fund balance to pay for capital items. She also felt that the towns need a healthy fund balance to help during times of calamity.

Mrs. Francis also commented that because the district is not allowed to keep a fund balance, the towns' fund balances are theirs. If something happened to a school building, the towns and the district would have to address it together.

Potential Response from Towns and School District

Mrs. Boyle asked for the total dollar amounts per mill for both Durham and Middlefield. Durham is \$680,000 and Middlefield is \$365,000, totaling \$1,045,000 per mill.

Mr. Moore explained that they have spoken to the attorney and his recommendation was that the district go back to a referendum with any substantial cuts to the budget. Any savings would end up in surplus and forwarded to next year's budget. The board of education will carefully look at all expenditures and evaluating areas that may or may not accrue some savings.

Mr. Bailey suggested that if the district could save \$1 million, the towns could just give an IOU instead of paying the district. The district could then forgive that IOU. Dr. Taylor stated that the board is obligated to the voters. Mrs. Boyle stated that they had asked the question and the district is not a bank.

Mr. Moore stated that the advice that they got was that if a structural change were to be made to the budget, it would have to go to referendum. Mrs. Francis felt that the boards need to start talking about next year and what the collective goals should be. She stated that the Town of Durham simply does not have it in the budget to cut. Mr. Moore stated that the board of education is running out of opportunities as well. Dr. Taylor stated that a million-dollar cut to the education budget would have to be hard programmatic cuts, probably including complete removal of entire programs.

Mrs. Coe agreed with Mr. Anderson that a band-aid could be put on this year by taking money from a fund balance or other accounts, but there will be a bigger problem next year. Dr. Taylor felt that the communities need to decide what they value more within the community and where the balance is between tax rates and school funding. Dr. Friedrich agreed that the community will have to decide whether a tax increase is worth keeping athletics or arts programs. Class size was also mentioned. Dr. Taylor stated that personally would not be in favor of making cuts that have hard evidence to show that they would affect student performance, such as class size. Dr. Friedrich also commented that what worked 40 years ago does not work today.

Jim Irish felt it was important to look deeply at the budget numbers and agreed that there has been structural change. The cost per student is very, very high relative to other school districts. Structural change can necessitate a look at the programs and things that will make a significant cut and be reflected in cost per student.

John Szewczyk stated that the only structural change that could produce a \$2 to \$3 million savings in the town portion of the budget would be to combine the two towns. There would then be an extra layer of oversight on the education budget, going from the board of education to the board of finance. Mr. Szewczyk felt that Durham and Middlefield are one community in a lot of ways and combining the two towns should at least be studied going forward.

Mrs. Francis agreed that that idea is gaining traction on the state level in terms of people talking about the 169 towns. The first selectman from Scotland is talking with Canterbury and Union.

Laurie Tuttle agreed and stated that property values will be taking a huge hit. As property taxes become more than half of a mortgage payment, the property values will decrease. She agreed that the level of education is important, but they also need to worry about how much taxpayers can tolerate.

Nancy Cuomo summarized that if you can get the same level of education in another town for far less, you will move there instead. She looks at a structural change as similar to having a family member get laid off and you still have all of the bills to pay. You may change what you eat for dinner, pack your lunch, keep cable, but get rid of HBO, etc. Durham has already done that and it's time for the board of education to do the same and bring the cost per student down to \$13,000, \$14,000 or \$15,000 per student. She felt that there are ways to do that without putting the children at risk.

Dr. Veronesi disagreed and stated that November will be a good time to talk about the formula for the per pupil expenditure. Dr. Veronesi believes the types of cuts that would need to be made to get to that per pupil expenditure would have an impact. She feels that the board of education works together to present a responsible budget and has a strong commitment to the students in the district. Dr. Veronesi believes this is an unprecedented environment and she believes she will get direction from the board about what happens next.

Regarding structural changes and program, she believes everyone is doing the best job that they can and hopes that the towns trust them to make the very best decisions that they can.

Dr. Veronesi also believes that the pause button got hit in this district a while back and they are now trying to catch up. Mrs. Cuomo felt that programs do not need to be cut and she did not like that threat to be made. Dr. Veronesi stated that she would never threaten to do anything. She agreed that there are cuts that can be made that don't affect programs. Dr. Veronesi asserted that she is a member of this team, but her primary commitment is to the children of the district and the people who work here. She worries how much will really be enough in terms of cuts to the education budget and how that will be done and maintained.

Mrs. Cuomo summarized that it always comes back to how much can the taxpayers tolerate. The last budget passed by only six votes. If Durham's mill rate goes to 43, almost 44, she didn't believe the education budget would have passed. Her kids are no longer in the district and she feels the burden now in her business and in the community. She relayed a story about someone wanting to build in Durham and that they had to check to see what the taxes would be before building.

Mrs. Geraci stated that it was also an issue of what the parents would tolerate as well. She felt that the budget would not pass if they cut \$1 million worth of programs.

Mrs. Francis stated that a needs assessment survey was done about 20 years ago that asked about things like would you like a senior center, yes; would you like a senior center if it costs a 3 percent increase in taxes, maybe; would you like a senior center if it costs a 10 percent increase in taxes, no.

Mrs. Wolak felt that there needed to be a short-term solution and a long-term solution. She felt that arts and music and physical education are worth the money for the results. She appreciated that everyone has come to same table and knows that not everything can be resolved tonight. Taxpayers will have to make

up their minds on some tough choices. She felt that the towns and the district are all going to have to give up something.

Mr. Moore assured everyone that Dr. Veronesi is nothing but meticulous and will not offer anything silly. Dr. Veronesi also mentioned that the district has too many school buildings and that the idea of a school campus had come up a while back, but people felt that that was not a good idea and that Middlefield would never go for that because they want a school in their town. She feels that this is an example of a new type of thinking that might have been considered ridiculous a couple of years ago. Mrs. Francis stated that it would be about \$50 to \$60 million to build a new elementary school and now there has been a 5 mill increase and the towns are getting nothing extra. She does not recall a time when anyone ever said that a 5 mill increase was acceptable. She felt that everyone at the table needs to agree that a 5 mill increase is a scary thought and in fact had to reduce budgets to get to that point. Mrs. Francis is afraid to go over the 40 mark for a mill rate, but felt that the board of education should be afraid to go over the \$40 million budget amount with 1,700 kids and declining.

Mr. Moore announced that if the state passes a budget tomorrow, the Finance Committee will have an emergency meeting in the next couple of days. The next joint meeting will be held on November 8, 2017.

Mr. Moore reassured everyone that they will continue to work on this and understand the issues and options. He reiterated that the district has offered some continuing joint services to both towns, such as custodial and computer services.

Public Comment

None.

Adjournment

Many people made a motion, seconded by many, to adjourn the joint meeting of the board of education, boards of selectmen and boards of finance.

All present were in favor of adjourning the meeting. Motion passed.

Meeting was adjourned at 9:50 PM.

Respectfully submitted,

Debi Waz

Debi Waz
Alwaz First