

Revised

The Regional School District 13 Board of Education Finance Committee met on Thursday, November 29, 2018 at 6:30 PM in the Library at Coginchaug Regional High School, 135 Pickett Lane, Durham, Connecticut.

Committee members present: Mr. Augur, Mr. Booth, Mr. Donahue (as a representative for Mr. Stengel) Mr. Irish, Mrs. Geraci, Mrs. Opalacz, Mrs. Patel and Mrs. Neubig, Business Manager

Committee members absent: Mr. Stengel

Additional board members present: Dr. Friedrich, Dr. Taylor

Administration present: Dr. Veronesi, Superintendent and

Mr. Augur called the meeting to order at 6:34 PM.

Pledge of Allegiance

The Pledge of Allegiance was recited.

Public Comment

None.

Approval of Agenda

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

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

Approval of Minutes - May 31, 2018

Mrs. Geraci made a motion, seconded by Mrs. Patel, to approve the minutes of the May 31, 2018 meeting, as presented.

Mr. Booth clarified that the discussion about the Grand List did, in fact, exclude commercial property.

In favor of approving the minutes from the May 31, 2018 meeting, as clarified: Mr. Augur, Mr. Booth, Mr. Irish, Mrs. Geraci, Mrs. Opalacz and Mrs. Patel. Motion passed unanimously.

Building Alteration Costs

Mr. Augur explained that the Board of Education is nearing the point where they need to make a decision on the buildings and they would like to hear input from the people representing the two towns. There are three options: a single-building track, not doing anything or having two distinct elementary schools, with everything the same at Strong School and Coginchaug.

Mrs. Neubig reviewed the total construction costs. Option A would be \$3.093 million less state reimbursement, the status quo would be zero for construction costs and the last option would cost the

District \$5.74 million after state reimbursement. There are also critical systems that are at the end of their life, such as chillers, boilers and roofs. The total funding needed would include doing the critical systems along with the building options. She also explained that the total cost needs to be put forth at referendum, not what is needed after state reimbursement. On the survey, the two options would be \$2.15 million or \$5.74 million (after state reimbursement). The rates of reimbursement shown will probably not change, but certainly could.

Mr. Augur explained that the survey will focus on the \$2.2 million and the \$5.74 million because that is the decision to be made. He noted that they are not trying to hide the critical systems amounts. Mr. Augur also noted that the Board is not considering the status quo, however a no vote on the referendum would lead to that.

Mrs. Opalacz asked if there was anything included for Strong School and Mrs. Neubig explained that Strong would not need renovations to include sixth grade, though there are some critical systems coming to the end of their life in 2023. Mr. Augur noted that Silver Petrucelli did have plans for Strong School, but the Board decided that those renovations were not necessary as the students will fit.

Mrs. Opalacz also asked if the status quo would be an option at referendum and Mr. Augur explained that the Board would only recommend one option to referendum. At the earlier Utilization Committee meeting, they discussed to include two questions on the referendum, one for bonding of the school construction and the other for bonding of critical systems.

Mrs. Opalacz was surprised to see the dollar amount associated with the status quo. She realized that Lyman needs so much work, but was surprised to see the total number. She feels that it's important, from a marketing standpoint, for the people to understand that.

Mr. Irish asked when the decision is going to be made for what is presented in the referendum. Mr. Augur stated that the Board of Education will decide which option at their January 9, 2019 meeting. Mrs. Opalacz remarked on how close the numbers are for the status quo vs. option A.

Capital Needs

Mrs. Neubig also explained that it would be roughly a 2.51 percent budget reduction for Lyman operating costs if Lyman School is closed. She then reviewed the total capital costs at each of the schools. Brewster's total capital needs are \$5.4 million, with \$847,000 for critical systems and \$1.35 million for critical systems at end of life. Memorial's total capital needs are \$5.3 million, with \$2.875 million for critical systems. Mrs. Neubig also noted that there are some questions remaining about some of the capital needs at each of the schools. Lyman's total capital needs are \$4 million, with \$2.39 million for critical systems. Strong School's capital needs are \$2 million for systems reaching their end of life in 2023. Cuginchaug's capital needs are \$3.5 million, with \$2.1 million end-of-life systems in 2023. Mrs. Neubig also reported that the district's vendor has told them they will have to replace the track soon as it is deteriorating due to direct sunlight. Central Office total capital and critical systems is \$2.19 million, with critical systems including the water line, converting for the natural gas line and the culvert as well as some ADA work in the auditorium.

Bonding**- RSD13**

Mrs. Neubig emphasized that operating budget impacts are independent of any other budget changes. The operating cost avoidance at Lyman School is estimated at \$925,000 per year, however there are a couple of different staffing options that could move that savings a little bit higher. The district would like to keep the existing debt service as close to level-funding as possible. There is currently a 4.1 percent fund balance carryover from 2018-2019 that will be used to balance the 2019-2020 budget. If all critical systems were replaced in the upcoming budget, \$7 million would be needed, or a 19.4 percent increase. In 2023, \$5.5 million more (or another 15.1 percent) would be necessary.

Mrs. Neubig went on to review the bonding options. The district can borrow \$6.9 million by level-funding the debt service and not increasing the budget. She also presented numbers for twice that and then for \$17 million.

Mr. Irish suggested that it would be feasible to have a bonding referendum with a high cap of \$17 million, but actually borrow in a staggered fashion so the debt coverage is evened out in the first two years. Mr. Augur asked how well that idea would be accepted by the public. Mr. Irish felt that the voters would be interested in the implication to the budget and their mill rate and if it can be shown that the mill rate would remain steady, that would be a good selling point. Mr. Irish felt that a “not to exceed” authorization is something that could be sold.

There was then some discussion about the question on the Korn School referendum and that people are looking more toward the total.

Mrs. Opalacz asked what the options are if the district did not bond and it was basically agreed that there really aren't any options. Mr. Augur summarized that while the budget will be less, the total amount to be paid back is still more. Mr. Irish agreed, but felt that the amortization can be couched in terms of an even mill rate implication.

Mr. Augur explained that the referendum for Korn School did ask for \$7 million in bonding and that the “not to exceed” language was not included. Mr. Augur felt that the majority of voters would lose the concept of taking the money in smaller amounts. He does not feel that the committee should even continue talking about the \$17 million option.

Mr. Irish would be very much in favor of having two elements to the bonding question, one being the critical needs and the other being the construction. He did not believe he would be in favor of adding the additional capital needs to the bonding and would prefer that be incorporated into future budgets. Mrs. Neubig agreed and explained that the district is playing catch-up right now.

- Durham

Mr. Donahue reviewed a report that showed that Durham currently has no bonds, but the culvert project was approved at \$2.1 million. Projecting the culvert project out over time, the highest spike would be \$28.58 per \$100,000 assessed value. The second project, the Korn Activity Center, would have its

highest spike in year 2023-2024 of \$98.98 per \$100,000 assessed value. Mr. Donahue explained that these figures were from the bond issuer, but are variable since the bonds have not been issued yet.

Mr. Augur asked if Mr. Donahue felt that the Public Safety Complex would go to referendum within the next calendar year, but he did not have any sense of that.

Mr. Irish asked if Durham had looked at the implications on the mill rates, given the Grand List, and Mr. Donahue stated that 1 mill essentially equates to \$702,847, therefore the estimated debt service roughly equates to a 1 mill increase.

- Middlefield

Mr. Irish explained that there are no million-dollar plans in Middlefield and the debt service is decreasing and will be down to zero in approximately 2022.

Mr. Augur summarized that there will be a difference in the marketing needed to a voter in Durham vs. a voter in Middlefield.

Moving it back to the potential district referendum, Mr. Irish felt that the referendum ought to target a total of all critical systems. Mrs. Opalacz asked if a referendum can be multiple choice or if it had to be a yes or no answer and Mrs. Neubig explained that it is yes or no only. Either way, Mrs. Opalacz stated that the district needs \$8 million for critical systems.

Mrs. Neubig summarized that the Utilization Committee felt that the bonding for critical systems may be voted down if it were attached to closing Lyman School. They thought it would be better to have it as two questions on the referendum.

Mr. Augur reviewed that the Board will vote on their decision for the school reconfiguration in January, but the referendum would not be until May. That leaves several months to work on the messaging.

Mrs. Geraci agreed with Mrs. Opalacz in that if the district keeps things status quo, it could potentially be more money than the reconfiguration.

Mr. Irish asked why the message is being framed as a vote to support the board's decision or not. He suggested framing the bond issue as the schools have critical needs not to exceed \$10 million. Mrs. Opalacz agreed and stated that only the bonding needed to go to a public vote. Mr. Donahue, speaking as someone who will never have anybody in the school system, stated that he would need to know specifically what the critical needs are. He felt that it shouldn't necessarily be only about the numbers. Mr. Irish also suggested that they let the public know that taxes will go up by a mill rate increase of about 5, if the bonding is not approved. He felt that that would take the emotion away from the options.

Mrs. Opalacz felt that people in Durham are already facing \$9 million in bonding and the district would then be adding another \$9 million and that may be difficult. Mrs. Opalacz also felt it was a little unfair that they have to go to referendum with the full number without being able to show State reimbursement. Mrs. Neubig also emphasized the operating cost avoidance at Lyman which is roughly \$925,000 a year (a 2.51 percent decrease in the budget each year). That would happen in either the 2021-2022 or 2022-2023

budget year. It was also explained that when you close a school building, you can file for a variance and avoid any issue with MBR. Mr. Irish also felt that that \$925,000 can go a long way toward capital needs.

Mrs. Neubig summarized that this is a real opportunity, with the declining debt, the option to bond with a minimal impact to the budget and critical systems that have to be addressed. She also pointed out that if Lyman is closed, the savings would not show up until the 2021-2022 budget.

Mill Rate Impact

Mrs. Neubig would appreciate input from the towns about the mill rate impact and how that should be shown to the taxpayers. Mr. Irish noted that the mill rate implication, according to Mrs. Neubig's charts, is a decrease starting in year 3.

Public Comment

None.

Adjournment

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

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

The meeting was adjourned at 7:56 PM

Respectfully submitted,

Debi Waz

Debi Waz
Alwaz First