

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

Committee members present: Mr. Augur, Mr. Booth, Mrs. Geraci, Mrs. Neubig, Mrs. Opalacz (arrived late) and Mr. Stengel

Committee members absent: Mr. Irish and Mrs. Patel

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

Guests from Durham present: Mrs. Francis, First Selectman

Guests from Middlefield present: Mr. Bailey, First Selectman, Mr. Lowry (arrived late), Mr. Nick and Ms. Kowal, Board of Finance

Administration present: Dr. Veronesi

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

Mrs. Neubig made a motion, seconded by Mr. Augur, to approve the agenda, as presented.

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

Approval of Minutes - January 24, 2019

Mr. Stengel made a motion, seconded by Mr. Booth, to approve the minutes of the January 24, 2019 meeting, as presented.

In favor of approving the minutes from the January 24, 2019 meeting, as presented: Mr. Augur, Mr. Booth, Mrs. Neubig, and Mr. Stengel. Motion passed, with Mrs. Geraci abstaining.

Mr. Bailey explained that Mr. Irish apologized for not making it to the meeting tonight.

Presentation of Superintendent's proposed 2019-2020 budget including debt service, bonding, estimated town tax impact and schedule for adoption

Dr. Veronesi thanked everyone for coming and explained that the proposed budget represents a .06 increase over the current-year budget with expenditures about \$22,000 over revenue. Salaries have been budgeted at 98 percent of proposed salaries, representing a 3.13 increase over the current year with an increase of 4.7 FTEs. There is a decrease in insurance benefits, with health insurance coming in at a 4.3 percent renewal rate but there may be additional positive movement in that area. There is also a decrease in the worker's comp rate and fewer people participating in the insurance plan.

Purchased services increases are primarily due to architectural and engineering fees that are associated with the Pickett Lane culvert project. Purchased services also includes professional development and professional learning associated with some of the district's priority areas, including project-based learning, STEAM, new curriculum, well-being and equity.

In buildings and grounds, there is a decrease in leases for instruments and transportation. Operating services has some increases in special education outplacement tuition, district-wide communication as well as magnet school tuition. There has been a slight decrease in supplies. Debt payments are included for the \$6.9 million bonding project in hopes that that passes in May.

Mrs. Neubig reviewed the \$6.9 million bonding package that will include immediate needs (things that would cause school to not open if they were to malfunction). There are also items that may not be immediate need, but do need attention in the near future. Those items are included under the capital line item in the budget and include turf and track maintenance, battery back-up for IT, renovations in classrooms as well as a new curtain and stage floor in the auditorium.

Dr. Veronesi reviewed revenue and reported a decrease in buildings and grounds based on actual experience, a decrease in in-house tuition for MTA, an increase in activity fee and the fund balance carryover of \$988,000 that was under-expended primarily from salary and benefits in the 2017-2018 school year. A slight increase of \$18,000 is anticipated in the Special Education excess cost, bringing total revenue to \$877,485.

Mrs. Neubig reviewed the total net expenses, the student population and summarized that Durham will pick up a .68 percent increase in students for this fiscal year. Before the Governor's proposed budget, the tax burden was estimated at \$3.3 million for Durham and \$1.8 million for Middlefield, resulting in a \$402,000 increase for Durham and a \$182,000 decrease for Middlefield.

Using the updated ECS figures, less money will be received by the towns, \$442,000 less for Durham and \$151,000 less for Middlefield. Those decreases change the change in tax burden for Durham to an increase of \$698,311 and a decrease of \$82,315 for Middlefield.

Mrs. Neubig went on to review the proposed funding and explained that the ECS funding for 2019-2020 compared to 2018-2019 has decreased and added in the proposed TRB contributions for each town, with a total shortfall from the State of \$708,000.

Dr. Veronesi asked Mrs. Francis about a previous conversation regarding whose responsibility the TRB contributions would be and she explained that Noreen Kokoruda said that it was her understanding that if the town is a member of a regional school district, the bill would be sent to the member towns. If a town is a single-town school district, the bill would be sent to the school district. She has also asked the Lieutenant Governor to confirm this information.

Review MBR calculation, including any potential impact from Governor's proposed budget

Mrs. Neubig explained that she and Mr. Stengel have gone back and forth with Kevin Chambers, head of MBR for the State of Connecticut, regarding how the number is computed. It starts with appropriation and then you can add and subtract various items. One provision that does apply is the free and reduced

lunch provision and that can reduce the MBR. The district is in the under 20 percent tier and is subject to a 3 percent cap of the budget. This represents about 60 students.

Another decrease that would be applicable is the decrease in the proposed ECS funding. If the district estimates that too low, an additional appropriation would have to be made before June 30, 2019 to make up for it.

Mrs. Francis asked what the MBR is and Mrs. Neubig explained that it was filed in August, 2018 at \$33,985,935. With the proposed budget, the district is only \$22,000 away from that without enacting any of the provisions. Dr. Taylor felt that the district should clarify the MBR number and not have the aspect of provisions or no provisions. Mrs. Neubig explained that if and when Lyman School is closed, the district could get a waiver for that.

Dr. Taylor asked what the number was that the district could go down to from the current proposed budget and Mrs. Neubig explained that the \$34 million in the 2019-2020 budget can be reduced by \$592,000 for the free and reduced lunch program and by \$593,626 for the decrease in ECS. That results in a reduction of \$1,163,000 to the MBR, bringing it to \$32,822,027. Mrs. Neubig reminded everyone that that is worst case scenario and they need to watch that carefully.

Changes in the towns' grand lists and impact on mill rate

Potential impact of state budget cuts to ECS funding on town budget

Potential impact of contribution to teachers' retirement pension: district or town budget responsibility

Mr. Stengel explained that Durham's grand list has decreased by \$6,959,783 which is a .36 mill impact. The ECS funding decrease of \$442,000 represents a .64 mill impact. Teachers' pension at \$75,594 will represent a .11 mill impact, totaling 1.1 mills. Durham's share of the school budget which changed by the proposed budget and the change in census is \$256,124 or a .37 mill impact. The total impact would be a 1.47 mill impact. That would mean that the town would need to cut 17 percent of the operating budget or 104 percent of the capital needs list.

Mr. Bailey explained that Middlefield had favorable results this year, with the Grand List increasing by 2.33 percent. Eight to nine new houses were finished this year, selling in the \$450,000 to \$500,000 range. Eversource also replaced the high voltage wood poles with metal poles, totaling about \$10 million. As a result, he is proposing a decrease of 1.12 mills, bringing it to 33.37 mills. The swing in enrollment also helped with that decrease.

Mr. Bailey went on to explain that the town's operating budget increased by \$153,000, with \$30,000 being a revenue pass-through. The capital fund was increased by \$107,000.

Mr. Moore asked if the Lieutenant Governor had any input on the ECS formula and Mr. Bailey explained that there was some discussion about using household income vs. grand list. Mrs. Francis added that there is a 70 percent emphasis on income, with 30 percent on property wealth. It used to be 90 percent property wealth and 10 percent income. The premise that the Governor has used is to reduce ECS funding over 10 years.

Potential town debt and capital needs

Mr. Stengel noted that Durham currently has zero debt, but have projected \$2.1 million for culverts. He also provided information about capital and reserves over the next five years.

Dr. Taylor asked if they had a number available for the average impact per citizen and Mr. Stengel stated that they had not done that. Mr. Moore asked why the Grand List had changed so much and Mr. Stengel felt it was mostly personal property. Mrs. Francis added that a business had moved out of Durham at a personal property value of more than \$7.2 million. Motor vehicles also dropped by 1.2 percent and real estate assessment stayed flat.

Mr. Bailey explained that the town's capital plan has short-changed a lot of the town's facilities and he has submitted a budget that includes \$107,000 for the town's buildings and park.

Schedule of town budget adoption

Mr. Stengel explained that Durham will have their annual budget hearing on April 8, 2019 with the annual budget meeting on April 13, 2019 where they will vote on the budget.

Dr. Veronesi mentioned that the public hearing will be held on April 10, 2019 and the district meeting on May 6, 2019.

Mr. Bailey reported that he just finished his proposed budget yesterday and has not submitted it to the Board of Finance yet. A public hearing will be held on March 14, 2019 and the town meeting will be held on May 13, 2019 to approve the budget.

Mrs. Francis noted that she and Mr. Bailey spoke with the Lieutenant Governor about the regionalization proposal and received some mixed messages. The Lieutenant Governor did feel that some of the bills were outrageous, but acknowledge that the conversation has to happen. She added that people should be incentivize people and Mrs. Francis asked where the incentive is when District 13 has already been regionalized for 30-plus years. She also asked the Lieutenant Governor if the district would be left alone since they are already regionalized. Mrs. Francis pointed out that Senator Looney's bill had a lot of specifics, including maps and deadlines. She did feel that the Republican caucus was fighting this bill.

Mrs. Francis also pointed out that the towns have to use the proposed budget numbers because there will be no state budget until after May 2nd.

Mrs. Francis explained that Durham's budget process is a bit different from Middlefield and from what they have done in the past. This year, the Board of Finance started with capital and the Board of Selectmen started with operating and then switched. She had handed off an operating budget that is \$19,500 away from a zero increase (which represents a 3 percent increase). The capital and reserve fund is a challenge and they are playing catch-up. Right now, they are \$1 million up in the capital and reserve account, with a large part of that being a public safety communication network. They will meet with members of the state police communications team on Monday and will probably sign an MOU with the State of Connecticut to use some of their communication infrastructure. That will allow Durham to enhance the communication network without having to pay for it all, though some equipment will still need to be capitalized. She explained that the towns are all being forced to switch over the

communications as the analog networks will no longer be supported. Mrs. Francis noted that they are working hard to bring that \$1 million down and feels it is imperative that they do that.

Mr. Moore asked about the teachers' retirement contributions and Mrs. Francis reviewed that Governor Malloy had proposed that the towns take on the burden of the normal costs, plus the legacy debt. The new proposal is that 25 percent is pushed down each year for the next four years to get to 100 percent share of the normal cost. If the town is above the state median in salary, they will get penalized by the percentage that it is over. Right now, they are saying Durham is 6 percent over and is being charged 31 percent. Mrs. Francis felt that that was a very misleading number because the town has a very seasoned staff. She reviewed that 70 percent of the district's teachers are at the highest step.

Mr. Bailey added that it will be phased in over three years, not four. By FY 2022, the cost to Middlefield will be \$118,000 and \$226,000 to Durham. They have received a spreadsheet explaining how the towns are charged and will forward that to Mr. Moore and Mrs. Neubig. There was some discussion about how to figure out how many teachers teach Middlefield students and how many teach Durham students and that it might be better if the state was to bill the district.

Mrs. Francis reviewed that the numbers shown are the numbers that will be included in budget to be voted on. The towns could delay setting the mill rate, depending on when they hear from the state legislature.

Mr. Moore asked if the towns had a recommendation for the district and Mrs. Francis stated that one of her final comments to the Lieutenant Governor was that the feedback from residents is that they don't want to pay any more taxes. She also explained that the strong Republican vote in Durham this year was an anti-tax vote. Mrs. Francis noted that they didn't think she could pick one thing in the district budget that isn't necessary, but the message is clear about taxes. She suggested they start a conversation about the delivery model of public services in five, 10, 15 years. Durham and Middlefield are planning to share a Town Planner, while both towns would in fact like to have their own. Durham's building official has also been made part-time.

Mr. Bailey stated that Middlefield has only eight full-time employees, with everyone else being part-time. Part-time employees do not receive any health or retirement benefits. They have done everything they can to reduce overhead. He also explained that Middlefield belongs to MERS (Municipal Employee Retirement System) and town employees that participate contribute 2.5 percent of their gross income while the town contributes 11.4 percent which is now going up to 22 percent. Mr. Bailey spoke to the Lieutenant Governor about that and she stated that there was a proposal by the administration to make some adjustments on that, basically increasing employee contributions. Mrs. Francis noted that that proposal has failed in other years. Mr. Bailey stated that that will be an \$11,000 increase to Middlefield's budget, as only seven employees participate.

Mr. Augur asked what Durham employees do and Mrs. Francis explained that, when she took office, they were in a hybrid plan with all the risk falling on the town. About 10 years ago, they went to a DB plan, but that has also been phased out. Current employees are in a 403(b) plan. Mrs. Francis also reiterated that the towns have done all the restructuring that they have been asked to do to help control overhead costs and increases have been below average in the last three contracts. Most employee contracts are in the 2 to 2.75 percent range for both towns.

Mr. Lowry had a couple of questions from Mr. Irish who asked about the increase in certified staff which is going up 4.7 percent. Dr. Veronesi explained that she would be happy to get back to Mr. Irish directly to review all of that. Mr. Moore also added that the budget includes that list.

Mr. Lowry asked if there will be an efficiency with the changes in curriculum and Dr. Veronesi felt that that would not happen initially, but she would hope that some intervention services will be reduced over time. Mr. Augur clarified that the change in curriculum may be referring to the change from two programs to one. Dr. Veronesi noted that yes, they anticipate a staff reduction with the closing of Lyman School in two years.

Ms. Opalacz asked what the feedback has been on the district's budget and Dr. Veronesi stated that she has not received any feedback to raise it. Mr. Moore noted that the parents have pushed to bring Latin back. Dr. Veronesi felt that Latin and some of the ABA staff and special education may need adjustment.

Ms. Opalacz felt that Mrs. Francis was very kind, but that the district budget can still be reduced. Mrs. Francis did feel that it will be a challenge to pass the school budget in Durham. Ms. Opalacz thought that people were thinking that they haven't felt the complete impact of all the changes that have been made. Mrs. Francis felt that the same was happening with the town budget. She does feel, however, that there is a greater understanding of the impact of the State budget and people fear what will happen.

Dr. Veronesi reminded everyone that the district has two level 1 schools of distinction and two more schools that are level 2. She felt that that shows the impact of the budget, but also felt that the budget is only as strong as the community's willingness to support it. Mrs. Francis felt that willingness is one thing, but ability is the other. Dr. Veronesi also mentioned that along with this operating budget will be the referendum question on the bonding and that that has to pass. She also noted that there will be another referendum in November for building alterations.

Mr. Lowry felt that the November referendum might be easier because of the great unknown at this point in time. Mrs. Francis felt that the Korn School referendum was voted down primarily due to taxes. She noted that people have asked for the project to be brought back at \$2 million and has explained that that's not possible. Mrs. Francis did hope that the district doesn't run to raze Korn School in hopes of exploring other options.

Mrs. Francis summarized that staff has been working very hard on the budgets and the requests have been very conservative. Capital needs are associated with critical public services.

Public Comment

Carl Stoup felt that the amount of money is critical and the storage building/field house is not something that is really needed right now. He also felt that nothing is being lost with the Latin program and it will still be there. He did not feel that Latin is being eliminated altogether. Decisions cannot be based on emotions.

Adjournment

A motion was made and seconded to adjourn the meeting.

In favor of adjourning the meeting: Mr. Augur, Mr. Booth, Mrs. Geraci, Mrs. Neubig, Ms. Opalacz and Mr. Stengel. Motion passed unanimously.

The meeting was adjourned at 7:12 PM.

Respectfully submitted,

Debi Waz

Debi Waz
Alwaz First