

TOWN OF EAST HADDAM
BOARD OF FINANCE
Special Meeting
March 31, 2014
Nathan Hale-Ray High School Cafeteria

CALL TO ORDER

The special meeting of the Board of Finance was called to order at 7:00 pm by Chairman Susan Link.

The Pledge of Allegiance was recited and the public was discouraged from holding individual conversations.

In attendance:

Board of Finance Members:

Susan Link, Chairman
Robert Bennett, Secretary
William DiCristofaro
Bruce Dutch
Harvey Thomas
Raymond Willis

Others:

Mark B. Walter, First Selectman
Deb Denette, Town Clerk and Recording Secretary
Denise Dill, Tax Collector
Cindy Varricchio, Finance Director
Approximately 50 people

2014-2015 BUDGET

a. Budget Discussion:

Mrs. Link requested Mrs. Varricchio to briefly review the budget as it stands following the cuts and alterations that the Board of Finance has already proposed.

Mrs. Varricchio reported that overall a budget request increase of \$1,763,946 was presented. She stated that after review of the budget the Board of Finance has indicated that it will not support any increase over \$1,200,000. Further, after reviewing the budget, the Board of Finance removed \$59,473 from capital requests, \$44,831 from general government, transferred \$19,000 to the Fire Department reserve, created a reserve for future debt service funding it at \$190,297 and adjusted for reliance of general fund balance of \$150,000. This equated to what would allow an \$181,199 increase to the Board of Education over last year's budget, but a decrease of \$518,939 from what was requested.

Mr. DiCristofaro added that several scenarios were reviewed regarding debt service. He noted that in years 2019-2020 there will be a big spike to taxes even with reserves. Mr. DiCristofaro stated that the Town is looking at \$40,000,000 worth of projects with needed renovations to the elementary school and rehabilitation of the old middle school to create Town offices, he noted that depending upon 20 year financing or 30

year financing, the Town can only carry a debt capacity of an additional \$15,000,000 to \$18,000,000. It was noted that USDA financing would allow the debt to be carried for 30 years; the Town could not go out into the normal bond market for a 30-year term.

The Board of Finance concurred that they agreed to fund the reserves at the rate of \$190,000. Mrs. Varricchio stated that she is working with bond counsel to develop a policy regarding debt reserves. Mrs. Link solicited questions on adjustments made so far.

Mr. Thomas stated that that he cannot vote for the plan stated for two reasons. The first is that he believed that the education budget should be held to a zero percent increase. He stated that this year the Town could reduce them by \$90,000 from last year's budget. He also noted that they are receiving the benefit of additional funding because of items taken out of its budget and put into shared services. The second reason that he would not support the budget was because of the reliance on fund balance. Mr. Willis stated that he was in agreement with Mr. Thomas. Mr. Willis stated that the Board of Finance had lengthy discussion on a zero increase for the Board of Education, he stated that he felt that there was consensus. Mr. Willis stated that he would be amenable to a \$100,000 increase over last year, but not the \$181,199 that was in the written proposal.

Mrs. Link stated that over the past five years, there has been an 18% decrease in student enrollment but the budget has increased 9%. Mrs. Link stated that all off the money cannot be going to salaries and benefits as contracted increases have been minimal. She also noted that teachers have been reduced from a high of 123 to 114. She noted that administrators and non-certified positions have remained the same. Mrs. Link stated that even with all of that, she was not in favor of giving a 0% increase, she stated that she was shooting for \$280,000 which would cover contractual obligations. Mrs. Link stated that it may not be what she believes in, but it is a budget that she felt that could be passed.

Mr. Dutch stated that he felt that the discussion on the table represented too big of a hit to the Board of Education. He added that the Board of Finance needs to wean off its reliance of fund balance. He noted that it went from \$600,000 to \$300,000. He suggested that this year \$150,000 reliance was acceptable to him as long as next year it was no more than \$75,000. Mr. Dutch stated that he concurred that \$280,000 was a good number for the Board of Education. Mr. Bennett stated that he was comfortable with \$150,000 reliance of fund balance, he noted, however, that last year it was discussed that we would not use fund balance to support the budget. He also noted that direction was given to the Board of Education that there should be no increase. He added that he does not want to hurt the educational system and does not want to lay off employees. Mr. Bennett stated that he cannot wrap his head around how enrollment goes down and costs accelerate. Mr. Walter stated that Portland's budget for its 5 schools is \$1,000,000 less than East Haddam's.

Mr. DiCristofaro noted rationale he used.

- A target of what he felt the Town could absorb
- A thorough review of requests/requirements
- Required debt service increases due to the middle school and open space purchases
- Putting away funds for future debt service requirements
- Subtracting out what is left after requirements are met.

Mr. DiCristofaro stated that discussion is not being held to cut the budget, it is being held to cut the increase of the budget. Mr. DiCristofaro added that he is not in favor of increasing reliance on the general fund. Mr. DiCristofaro stated that a goal of the Board of Education really needs to be to get a handle on spending, he opined that some of it is wasteful. He stated that the Town cannot keep charging inefficiencies to the tax payer. Mr. DiCristofaro stated that he would support a \$31,000 increase to the Board of Education, noting that \$100,000 is benefitting the Board of Education through shared services. Mrs. Varricchio reported that the funds in shared services are a shift, and not an increase.

Brief discussion was held relative to the average home owner. It was noted that the "mean" and not the "median" assessed home is being utilized to assume a \$330,000 increase.

b. Public Comment:

Mrs. Jennifer Higgins, Eli Chapman Road, Mrs. MaryBeth Mordecai, Lakeside Ave both spoke in favor of the increases proposed by the Board of Education and a need for the Board to provide our children with what they need.

Michelle Gigliotti encouraged the special education budget to be reviewed. She stated her opinion that the interventions in place are not working despite the funding associated with it.

There being no other comment, Mrs. Link closed public comment.

c. Budget Vote to Send to Public Hearing:

Motion was made by Mr. Thomas move forward with a budget recommendation of a zero increase to the Board of Education and with no reliance on the general fund balance for an \$1,169,000 increase over last year's budget for a total budget of \$29,631,259; representing a 2.01 mill rate increase. Mr. Willis seconded the motion.

Mrs. Link called for discussion. She stated that fundamentally she is not opposed to a zero increase, however, she stated that she did not think that it would pass.

Mr. DiCristofaro stated that he would like to consider a slight increase for the education budget, but not a lot.

Mr. Thomas amended his motion to fund a \$31,100 increase over last year's budget to the Board of Education. Mr. Willis amended his second.

Mrs. Link called for a vote on the motion as amended.

**FAVOR: Thomas, Willis, DiCristofaro
OPPOSED: Dutch, Bennett, Link
MOTION FAILED**

Discussion regarding how much was enough to give to the Board of Education to assure passage, while being cognizant of the financial burdens of taxation. Mrs. Link stated that she was comfortable with \$181,000 to the Board of Education, which is

\$100,000 less than where she wanted to be. She stated that would enable contractual obligations without new positions.

Mr. Willis stated that \$181,000 plus shared services is really \$281,000. Similarly, their request was not really for \$700,000 but \$800,000 when shared services was factored in.

Motion was made by Mrs. Link to approve a budget of \$29,812,458 representing a 2.05 mill rate increase, with \$181,000 increase to the BOE, and a \$150,000 reliance on general fund balance.

Mr. Dutch ultimately seconded the motion.

Mrs. Link called for discussion. She stated that she does not feel it is an ideal budget, she noted that the Board of Education budget is 67% of all taxes and additional funds are expended in the Town budget for debt service to support the facilities. She noted frustration in comments that the Board does not support education, she noted that the debt service is supporting a beautiful new middle school and reserves are being established for the elementary school in addition to the \$18,767,533, which was last year's allocated budget for education. Mrs. Link added that the Board of Education budget keeps growing while the Town's budget is comparable to what it was in 2007-2008. Mr. Willis added that the education budget could be reduced by \$90,000.

Mrs. Link called for a vote on the above-noted motion.

FAVOR: Link, Dutch, DiCristofaro

OPPOSED: Willis, Thomas, Bennett

MOTION FAILED

Mr. Bennett suggested that the chart prepared be followed with the exception of an increase to the Board of Education in the amount of \$100,000 rather than \$181,000. He stated the \$81,000 reduces the reliance on the fund balance to \$68,808. This would result in an 8.4% tax increase

Motion was made by Mr. Bennett to put forward a \$29,731,259 budget with a \$100,000 increase to BOE over last year's budget with a reliance on general fund balance of \$68,808. Mr. DiCristofaro seconded the motion.

Mrs. Link noted that the mill rate does not change from what she proposed (2.04). She reiterated earlier comments that the budget is more passable with more funding to the Board of Education.

Mrs. Link called for a vote on the above-noted motion.

FAVOR: Bennett, Dutch, Willis, DiCristofaro, Thomas

OPPOSED: Link

MOTION CARRIED

Mrs. Link noted via reference correspondence received from Mr. Thomas that was forwarded to Mrs. Denette for inclusion in the budget as follows:

"FY2014-2015 BOE BUDGET, March 30, 2014

There are, in my opinion, serious, long term, structural problems with the BOE budget.

1. While enrollment has fallen significantly, BOE expenses have continued to rise significantly. This trend is financially unsustainable.
2. Because of state requirements, local municipalities have no flexibility with respect to BOE budgets. Unless enrollment drops significantly, school district budgets, cannot, by law, be less than they were in the previous year. So, if for example, there were to be the demonstrable need for one time funding for a one time worthwhile undertaking, were those needs to be funded, the increased BOE budget would become the new baseline below which the municipality cannot fund. This is a reverse incentive for municipalities.
3. In the 2014-2015 budget cycle, enrollment has fallen enough to trigger a permissible reduction to the BOE budget of approximately \$90k
4. I submit that if the Board of Finance is ever to alter the unsustainable trend noted in (1) above, this is the time to take action. Therefore, I propose that the BOF fund the BOE at the FY 2013-2014 level.
5. I would note that if my memory is correct, the Superintendent of Schools directed her staff to submit budget requests with a zero per cent increase, i.e. at the FY 2013-2014 dollar amount. If in the Superintendent's professional opinion, the school district can accomplish its mission without an increase in cost, I am comfortable in acquiescing in her opinion.
6. None of the above is based on how good or how poor a job I may happen to believe the school district is doing. Responsibility for that judgment lies with the elected Board of Education, the school district administration and staff, parents and the taxpayers. I continue to believe that as a member of the Board of Finance, it is my responsibility to take into account the testimony of the Board of Education our school administrators and staff and the public. However, I believe that my primary responsibility as a member of the Board of Finance is to the financial implications for the town and its citizens, i.e. for what we need to do and what we can afford to do over the long term."

d. 2014-2015 Budget Calendar:

Public Hearing on the budget will be April 22nd. The Town Meeting that sends the budget to referendum will be on May 6th.

e. Public Hearing Mailer–Citizens' Guide to the Budget:

Mrs. Varricchio distributed an outline of the mailer. She noted that it is a starting point. Mrs. Link requested that suggestions and comments be forwarded to her.

PUBLIC COMMENT

Nothing noted.

Motion was made by Mr. DiCristofaro to adjourn at 8:30 pm. Mr. Thomas seconded the motion and it was unanimously approved. Motion carried

Respectfully submitted

Deb Denette
Town Clerk & Recording Secretary