

**TOWN OF SALEM
BOARD OF FINANCE
SPECIAL MEETING MINUTES
THURSDAY, MARCH 7, 2019 – 7:00 P.M.
SALEM TOWN OFFICE BUILDING**

PRESENT

William “Skip” Dickson, Chairman
Marshall Collins, Clerk
Deborah Cadwell
Janet Griggs
Hernan Salas (7:54 p.m.)
John Houchin
Corinne (Cory) Bourgeois, Alternate
Maryann Casciano, Alternate (*seated*)

ABSENT

Michael Jensen, Alternate

ALSO PRESENT

First Selectman Kevin Lyden

CALL TO ORDER:

Chairman Dickson called the meeting to order at 7:00 p.m.

RECOGNITION OF VISITORS: *none*

SEAT ALTERNATE IF NEEDED:

**M/S/C: Collins/Houchin, to seat Alternate Board Member Casciano for Full Member Salas.
Discussion: None. Voice vote, 5-0, all in favor.**

COMMUNICATIONS: *none*

AGENDA:

1. APPROVAL OF MINUTES: FEBRUARY 28, 2019 SPECIAL MEETING

**M/S/C: Collins/Griggs, to approve the Special Meeting Minutes of February 28, 2019.
Discussion: None. Voice vote, 5-0, all in favor.**

2. PUBLIC COMMENTS – *none*

4. ACT ON PROPOSED APPROPRIATIONS FOR FY2019-2020

A. BOARD OF EDUCATION (BOE) BUDGET

BOE Chairman Sean Reith and Treasurer Ryan Little presented the proposed budget for the Board of Education, which includes a 1.85% increase. The presentation included a brief overview of the proposed budget, student enrollment/staffing numbers, tuition costs for East Lyme High School and other out-placements, and special education costs. The proposed budget was created in conjunction with the school administration and, as in previous years, is based upon the Superintendent’s proposed budget. BOE Chairman Reith discussed the changes to the staffing structure, the 11% increase in the high school student population, and the reconciliation

of the numbers, which reflects the trends and provides a better understanding of the formula used to determine this and future budgets. Over the past five years, the BOE budget has had an overall increase of an average of 0.46%, reflecting their ability to provide a quality education while still maintaining their fiscal responsibility. In addition, the BOE has returned an average of approximately \$84,000.00 of unencumbered funds back to the town over the past five years.

As in previous years, the budget was divided into four categories of expenses: Contractual, which includes multi-year contracts for certified teachers and bus transportation, and makes up 55% of the overall budget; Discretionary, e.g., instructional supplies, activities, technology costs; Negotiated Contracts, e.g. annual contracts for fuel, electricity, and transportation, making up 5% of the overall budget, and; Student Population-based Costs, e.g., East Lyme High School tuition, transportation to/from the high school or an out-placement, which also makes up 5% of the overall budget and; Special Education Services, which constitutes 35% of the overall budget. This year, the BOE entered into negotiations with the Salem Federation of Teachers to renegotiate their three-year contract and were able to avoid going to arbitration. Changes included the non-availability of longevity payments for those teachers hired on or after July 1, 2019 and a reduction in insurance costs due to the institution of a higher deductible. In comparison to their previous contract, which reflected a 9.8% increase, the new contract reflects an increase of 8.49%. A summary of the costs over time for each of the categories since FY2014/15 was reviewed.

An overview of the BOE budget with the costs broken down by the four sites was presented. The costs for Salem School are up 2.83% and accounts for 58% of the total budget; Central Office expenses is up 2.68% and accounts for 8% of the budget; the costs for East Lyme High School is down 4.30% and accounts for 27% of the budget, and; Out of District Services costs are up 19.5% and accounts for 7% of the total budget. Not unlike other school districts, the main reason for the increases are due to a rise in salaries, wages, and benefits, which, interestingly enough is less than the previous year. The reconciliation process, which includes a number of assumptions with regards to the high school tuition costs and takes into consideration the institution of certain efficiencies by East Lyme, is a process by which the estimated and actual growth are reviewed, resulting in either a deficit or surplus in funding. This year, the reconciliation process resulted in a surplus of funds for the town.

Treasurer Little presented the school's staffing updates, stating that the main changes include the addition of a 1.0 FTE Kindergarten teacher due to an expected increase of students; the extension of the pre-school school day to five hours, resulting in the addition of a 0.24 FTE Instructional Aide (cost is offset by an increase in fees), and; the realignment of the second grade teacher to the third grade. He reviewed the student-teacher ratio, adding that the staffing has remained relatively flat while enrollment has witnessed a growth of nearly 10% since the 2015/16 school year. He also reviewed the overall enrollment of students to East Lyme High School, Out of District schools, and Special Education Services and their respective costs. The overall growth of special education students in relation to general education students, the respective staffing, and resulting costs were also presented.

BOE Chairman Reith summarized their presentation, stating that the BOE's goal is to ensure the best possible education in the most cost-effective manner. The BOE strives to maintain fiscal responsibility for the residents of the town and recognizes the importance of providing an affordable place to reside. To this extent, both tactical and strategic solutions have been/are being investigated, including the installation of solar panels, which could potentially save the school approximately \$75,000.00 in electrical/utility costs over a 25-year period; reviewing their multi-year contracts and negotiating fair and equitable agreements; understanding the reconciliation process; push for efficiencies and cost savings in, especially, mandated and recurring costs, and; continue to pursue smart-shared services. The BOE is also cognizant of the Governor's State Budget Proposal, which includes a 25% teacher retirement fund obligation, a potential shared service mandate, and reduction in State ECS funding and acknowledges the possible need to reevaluate their proposed budget.

Board Member Salas joined his fellow members on the dais at 7:54 p.m.

BOE Chairman Reith responded to the Board's questions. The current average teacher's salary in Salem is \$74,808.00 and approximately 95% of the certified teachers who receive that salary carry a Masters' Degree or higher and have been teaching an average of greater than 12 years. Clerk Collins confirmed that a report provided by the Connecticut Council of Municipalities aligns with their numbers. Their salary deems the town below the State median, making their annual retirement contribution 25%, with no penalty, or \$20,000.00 for the first year and \$40,000.00 for the second year should the proposal pass. BOE Chairman Reith added that the recently negotiated three-year contract is lower than that of the State and presented the following information:

	<u>Cost per Student</u>	
	2009/10 School Year	2017/18 School Year
K-8 students	\$ 13,021.00	\$ 16,622.00
East Lyme High School	\$ 13,097.00	\$ 16,487.00
Tuition Rates:		
Regular Education	\$ 9,437.00	\$ 12,585.00
Special Education	\$ 18,543.00	\$ 32,503.00
Current number of special education students:		106
Current number of 9 th grade special education students:		7
Current number of 10 th grade special education students:		8
Current number of 11 th grade special education students:		6
Current number of 12 th grade special education students:		5
Current number of Out-of-District special education students:		14
Current number of Out-of-District special education students in Magnet School:		2

An increasing trend of special education students have transferred into Salem over the last five years due to the quality of service they provide. An increasing number of students are also being

placed in the Individualized Education Program (IEP). Six (6) FTEs for the 57 projected special education students are being proposed for the FY2019/20 budget. Currently, 7 special education students are placed Out-of-District, two of whom recently moved to the town and whose determination was made by the previous district. In addition, there are those who turned 18 and are eligible for services until they are 21 years of age. These students typically attend East Lyme's transition program, which is covered by the town's co-op agreement. The cost of the program is difficult to predict as it is based upon the total number of students from both towns enrolled in the program. The school does make efforts to bring students back into Salem.

Principal Joan Phillips surmised that approximately five teachers might opt for early retirement over the next five years. BOE Chairman Reith explained that the student-teacher ratio is based on the recommendations of the teachers, the administration, NESDEC (The New England School Development Council) projections, and existing demographic trends. The addition of either an IA (Instructional Aide), tutor, or teacher is also reviewed as each of these roles differ in the level of instruction he/she can provide. With respect to the hiring of an additional teacher for the third grade was based on the fact that those students are transitioning from learning how to read to reading to learn and it is at this stage that those students in need of additional instruction are identified. Being a pivotal year for the students, the additional teacher would serve as a cost avoidance factor for the future. In the following years, the additional teacher may be shifted to other grades due to retirements and/or the shifting demographics.

With respect to the dramatic increase in administrative costs in relation to the student population, BOE Chairman Reith reviewed the graph related to the student to teacher ratio, which reflects the overall efficiency of the staff, and shows that their staffing structure has been kept in alignment with their changing student population. Each administrator is responsible for 141 students. The staffing of both the District and Central Offices were clarified and the respective penalty that may be instituted by the State for their failure to engage in shared services was discussed. BOE Chairman Reith agreed and stated that, in light of the legislators' discussions, the BOE has begun to carefully review their budget and calculate the cost benefits of sharing services. Business Manager Kim Gadaree felt that the district is already, in essence, sharing a Superintendent as their current Superintendent is a 0.45 FTE. As such, the costs would be the same. Clerk Collins clarified that the proposal not only affects the Superintendent's position and his/her costs, but also the roles of his/her supporting staff. He reiterated the importance of reviewing and making immediate decisions as the State plans to immediately institute significant reductions in ECS Funding. In summary, the BOE is seeking an increase of 1.85% or approximately \$191,000.00 as the State is proposing a reduction of over \$300,000.00 in ECS funding and proposing a 25% teacher retirement fund obligation, resulting in a budget increase of over \$500,000.00. Furthermore, a penalty will be imposed should the town decide not to engage in shared services. This will be compounded in the following year by an additional cut in their ECS Funding, resulting in a total cut of nearly \$900,000.00 over the next two years, which equates to a ± 3 mil increase. While the data included in the Statewide Accountability Index is not included in their presentation due to the timing of its release, the BOE is engaged in a significant discussion

regarding their budget in relation to the Index. Clerk Collins noted that, while the Index indicates that the town is well below the State average, the teachers do receive a very generous contract and an ideal longevity percentage. While they do appreciate the work that they are doing, based upon these reports, it appears that the costs are rising and no significant improvements are being made. BOE Chairman Reith reiterated that the goal of the BOE is to provide an exceptional education to the students of the town and compared them to other surrounding districts. While Clerk Collins is sympathetic to and understands their position, he found it difficult to justify what could amount to an additional \$900,000.00 over the next two years.

In response to Board Member Salas, Director of Student Services Donna Gittleman stated that the Out-of-District Costs for special education students is dependent upon the needs of the child, making it difficult to calculate an average cost. It is not unusual for the transportation costs to be higher than that of the tuition costs and the district is always seeking and engaging in ridesharing with other school districts to help cut costs.

BOE Chairman Reith stated that the BOE is presenting a current services budget and assumes the receipt of a flat ECS Funding and does not account for any of the State's proposed reductions or possible penalties. To do otherwise would result in a significant departure from the services they are currently providing. Should they be faced with a \$500,000.00 reduction in funding, excluding any penalties, the BOE will need to craft a strategy to deal with the reduced funding. Clerk Collins encouraged the First Selectman and BOE to discuss these issues with East Lyme and the possibility for sharing their services in hopes of receiving additional funding from the State should they make efforts prior to the institution of the State's proposals.

In response to Board Member Bourgeois, who questioned whether the BOE considered the average of \$87,000.00 in unencumbered funds that has been returned to the town over the years during their budget process, which, if taken into account would result in a \$100,000.00 increase. BOE Chairman Reith referred to their agreement with the Board of Finance that any unencumbered funds at the end of the fiscal year could be utilized for some of the items on their Capital Plan request that were recently denied, including items related to security, carpeting, and the clock system replacement. The BOE would return to the Board of Finance to confirm that the expenditure of those funds would be acceptable. He also noted their request for a non-lapsing account in which their unencumbered funds are deposited into an account for later use, which was previously denied. Clerk Collins warned against using one-time revenues to fund ongoing operating expenses, noting the widening gap between the school budget and the State's continuing reduction of funds.

BOE Chairman Reith thanked Board of Finance Chairman Dickson for attending their meeting regarding the solar panels and thanked Board Member Cadwell for attending and participating in their contract negotiations. He welcomed all of the members to attend any of their meetings.

Board Member Griggs reminded the Board that funds were set aside in anticipation of the increase in the East Lyme High School tuition in the coming school year and introduced the

possibility of utilizing these funds to help offset their budget, though the BOE would still need to institute efficiencies.

Discussion ensued regarding the BOE budget and the need to ensure the sustainability of their budget. Clerk Collins recommended the BOE calculate the amount for an 8.33% and 25% reduction (worst case scenario) in ECS Funding and base their budget discussions on those numbers. Cuts would, most likely, also be necessary in the General Government budget.

While recognizing the Board's position in determining the budget, Board Member Rindell stated that it would be impossible for the school system to run with a 25% reduction. It is their responsibility to ensure the fiscal responsibility of both the town and the school and the BOE's responsibility to ensure that their children are receiving the best possible education. He commended the school faculty and the staff in helping craft the budget and added that there are no members in the room more concerned with the quality of our children's education than themselves. While he respects the members of the Board, he requested that the Board inform them of the percentage reduction they are requesting. He felt that the negotiated contract was fair, but not generous, and noted that the Board was able to successfully avoid going into arbitration. In response, Chairman Dickson stated that all of the Board Members are equally concerned and none are seeking to diminish the town's educational standards in any way; they are simply seeking and encouraging ways in which adjustments could be made. Clerk Collins concurred.

M/S/C: Griggs/Collins, to table the appropriation of funds for the Board of Education to the Board of Finance Special Meeting on Thursday, March 14. Discussion: The item will be added their next Agenda. Chairman Dickson will be meeting with Former Board of Finance Chairman George Householder to review the numbers. Voice vote, 6-0, all in favor.

B. REVENUES

M/S/C: Griggs/Houchin, to approve the appropriation of funds for the following departments, subject to review and/or revision, pending approval at the Board of Finance's March 21, 2019 Special Meeting:

Department #91 – General Property Taxes	\$ 12,051,132.00
Department #92 – State/Federal Grants	\$ 418,461.00
Department #93 – State/Federal Grants for Education	\$ 2,412,438.00
Department #94 – Licenses & Permits	\$ 156,900.00
Department #95 – Charges for Current Services	\$ 24,400.00
Department #96 – Revenue from Use of Town Money	\$ 65,000.00
Department #97 – Miscellaneous Revenue	\$ 15,191,681.00

Discussion: Chairman Dickson stated that the numbers being presented account for the First Selectman and Treasurer reviewed and take the Governor's proposed budget into account. Voice vote, 6-0, all in favor.

OLD BUSINESS: *none*

ADJOURNMENT

M/S/C: Collins/Salas, to adjourn the meeting at 9:56 p.m. Discussion: None. Voice vote, 6-0, all in favor. Meeting adjourned.

Respectfully Submitted by: Agnes T. Miyuki, Recording Secretary for the Town of Salem