

**TOWN OF SALEM
BOARD OF FINANCE
REGULAR MEETING MINUTES
THURSDAY, JANUARY 12, 2017 – 7:00 P.M.
SALEM TOWN OFFICE BUILDING**

PRESENT

TJ Butcher, Chairman
George Householder, Clerk
Deborah Cadwell
Marshall Collins
Janet Griggs
Hernan Salas
John Houchin, Alternate
Will Evanson, Alternate

ABSENT

none

GUESTS

none

ALSO PRESENT

First Selectman Kevin Lyden

CALL TO ORDER:

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

RECOGNITION OF VISITORS: *none*

SEAT ALTERNATE IF NEEDED: *none*

COMMUNICATIONS: *none*

ADDITIONS TO THE AGENDA:

M/S/C: Householder/Collins, to move item 5, Long Range Strategic Planning, to precede item 4, Selectman's Report. Discussion: None. Voice vote, 6-0, all in favor.

AGENDA:

1. APPROVAL OF MINUTES: DECEMBER 8, 2016 BOF Meeting

M/S/C: Householder/Griggs, to approve the Regular Meeting Minutes of December 8, 2016. Discussion: None. Voice vote, 6-0, all in favor.

2. TREASURER'S REPORTS

- A. REVENUE SUMMARY**
- B. TRIAL BALANCE**
- C. FUND BALANCE**
- D. OTHER**

Treasurer Pam Henry wished everyone a Happy New Year and presented the reports and discussed the funding for the Local Capital Improvement Program (LoCIP) and Education Cost Sharing (ECS) Grant. The available entitlement amount of \$34,396.00 for the Town of

Salem for LoCIP has been frozen until the bond authorizations are increased and a cut of \$23,867.00 for ECS funds was received due to the State's reduction in the adopted budget for FY2016-2017. Board Member Collins added that, according to a recent meeting at the Governor's office, LoCIP funds will not be funded this fiscal-year and, though up to 50% may be cut from each municipality in the next fiscal-year, no additional cuts to the ECS funding are expected for the remainder of this fiscal-year.

The *Balance Sheet* and *Budget vs. Actual* Reports were reviewed, with no unusual occurrences. In response to Board Member Householder, Treasurer Henry will check with the Tax Collector regarding the billing process and receipt of funds for line item 410000-1050, Motor Vehicle Supplemental. In response to Board Member Houchin, line item 4-097-076, Miscellaneous, includes such items as LEARN (approximately \$2,300.00/month), insurance claims, etc.

M/S/C: Griggs/Householder, to add an additional line item under 4-097 Miscellaneous for funds received by LEARN. Discussion: Funds received from the rental of the classroom(s) to LEARN are currently being placed in line item 4-097-076 Miscellaneous due to its unknown future status. Chairman Butcher stated that Superintendent Joseph Onofrio informed him that they are expecting to continue to rent to LEARN next year. As such, a line item should be added to differentiate/designate the funds received. Voice vote, 6-0, all in favor.

In response to Board Member Houchin, who noted that the funds for various items under line item 5-157 Regional Services have not yet been expended, First Selectman Lyden stated that such items as the Women's Center, TVCCA, Adult Education, and East Lyme Youth Services would not be expended until a later date. Funding for East Lyme Youth Services may be phased out in the near future as many of their programs take place while Salem students are still in school.

Treasurer Henry was thanked for her report.

In response to Board Member Householder, Board of Education (BOE) liaison Sean Reith stated that he is familiar with and should be able to answer any questions they might have regarding the BOE budget.

3. PUBLIC COMMENTS – none

4. BOE LONG RANGE STRATEGIC PLANNING

Mary Ann Pudimat, Vice-Chair and Treasurer, BOE, in response to the community's concerns regarding their vision and strategic planning, stated that the BOE is seeking the support of the Board to develop a Long Range Strategic Plan. Working with the Salem School District, the East Lyme School District recently completed a Coherence Plan, i.e., Long Range Strategic Plan, with the help and guidance of a Facilitator and an opportunity for Salem to piggyback onto their Program has presented itself. Because the Facilitator has

become familiar with the Salem School District through their participation and the data and information, in relation to the East Lyme School District, has already been provided, part of the work has already been completed and they would be able to engage the services of the Facilitator at a reduced cost. The BOE is in the process of investigating their options to fund the cost of the Plan, which is estimated at approximately \$7,500.00. Unfortunately, their budget is currently frozen and encumbered. While in the past, the Board has instituted a Long Range Strategic Plan, guiding their budget and vision, they have not been able to develop and institute such a Plan more recently due to changes in the administration, State mandates, movement within the Board Members, and scheduling issues. While the project can be postponed, she stated the importance of having a Long Range Strategic Plan and the BOE's wish to seize this opportunity. Should the funding be approved, the Plan is estimated to be completed by the end of the academic year.

In response to Board Member Householder, she discussed the relationship between the School Efficiency Study and the Long Range Strategic Plan. Approximately 85% of the recommendations included in the Study have been completed or are being followed at this time and their progress can be viewed online via a Score Card. The Score Card can be provided to and discussed with the Board in the near future. With regards to the Study's recommendation to, "Within the next two (2) years, create a joint Finance Director position for the Town and School District", Vice-Chair/Treasurer Pudimat stated that, contrary to the Report, the Board Attorney does not make the same recommendation.

Chairman Butcher expressed the Board's frustrations regarding the amount of attention the BOE has given to the recommendations included in the Study. In addition, he felt that the efficiency and funding concerns that have been expressed have not been heeded and questioned the School's budget process and its lack of efficiency, which will become more clearly evident as the State continues to make its cuts. In contrast, she felt that the BOE has carefully and seriously reviewed all of the recommendations included in the Study, including staffing reorganization, consolidation of services, etc.. She added that the Study is only one part of the overall Strategic Plan.

In response to Board Member Houchin, she stated that the BOE's Long Range Education Planning Committee has discussed their budget with regards to the school population projections and trends, including special education, in comparison with other school districts. They are also very well aware of their current and future financial situation with regards to the State's ECS funding. A Plan would ensure that the BOE acts in a fiscally responsible manner while preserving and providing students with an excellent education.

Board Member Householder stated the importance of a carefully reviewed and efficient budget is reflected in the public's comments that were gathered during the referendum as approximately 74% felt that the BOE budget was too high.

First Selectman Lyden stated that he is not opposed to a Long Range Strategic Plan in conjunction with the School Efficiency Study, but stated the importance of being proactive and maintaining a cushion within their budget to cover any unexpected costs. He reminded her of his suggestion at the last budget hearing to reconsider the organization of their first grade classes, which would have resulted in a savings of approximately \$70,000.00. He concurred with the Board and reiterated the importance of the BOE to think ahead as additional cuts are expected from the State.

Board Member Collins expressed his skepticism regarding the value of the expenditure of such a Plan during this period of such unpredictable economic conditions. With the pending CCJEF (Connecticut Coalition for Justice in Education Funding) decision, which includes teacher evaluation, ECS, special education, school construction, etc., and the State Legislatures' review of such issues as enrollment, possible changes to the graduation requirements, special education predictability, and the like, the State is not expected to provide additional education funds to the Town. Based, in part, by the feedback received from the townspeople, Vice-Chair/Treasurer Pudimat reiterated the importance of engaging in this facilitated program to generate a Plan in order to have contingencies in place to help plan for various possible scenarios. Board Member Collins stated that while he agrees with the Plan, he felt that investing funds that neither the Town nor the School have and, taking into consideration the fluidity and precarious condition of the State, this was not the time to fund such a project.

Board Member Griggs stated that the chances of having either reduced services and/or a major tax increase for the next fiscal-year would be necessary in order to maintain the current funding. She recommended beginning discussions and increasing the public's awareness regarding the issue and possible available solutions. In response, Vice-Chair/Treasurer Pudimat discussed the fluidity of the BOE budget, adding that they are actively investigating various ideas and options, including possible grants that might be available.

Chairman Butcher expressed his appreciation of the BOE's transparency and communication with the Board. He commended her for presenting their plans and taking the time to listen to their concerns and expressed his happiness with the recent changes within the membership of the Board as well as the administrative changes within the School. In comparison to years past, the Town has been receiving positive comments regarding the BOE and School. The Board has reviewed, discussed, and made suggestions regarding the BOE's handling of its budget, which comprises the majority of the Town's budget and hopes that the BOE will begin to heed their concerns and suggestions. He added that the Board is willing to work with them and help them eliminate their issues. Chairman Butcher stated that, while he supports the development of a Long Range Strategic Plan, the Board's belief that their funds are not being properly expended makes it difficult for them to support the Plan financially.

Board Member Salas stated his concern regarding the funds spent for the School Efficiency Study and the importance of the BOE to heed those recommendations. He recommended seeking alternative ways to develop a Plan without the aid of a Facilitator. In response, Vice-Chair/Treasurer Pudimat encouraged them to review the Score Card and reiterated that approximately 85% of the recommendations provided in the Study have been acted upon or are being followed. She also clarified that the Plan differs from the Study.

BOE Chairman Siebert stated his interest in further listening to the Board's concerns regarding the BOE budget.

Vice-Chairperson/Treasurer Pudimat was thanked for her presentation.

5. SELECTMAN'S REPORT

First Selectman Lyden stated that the Departmental budgets are due next week and each of the Departments are aware of the State's fiscal condition. He reviewed the cuts to the ECS as well as the freezing of the LoCIP funds. Governor Dannel Malloy will be presenting his budget on February 8 and additional cuts are expected. Similar to the previous fiscal-year budget, the towns are presented with the uncertainty of the State's final budget, which will not be finalized until after the Town's budget is passed.

A number of Legislatures, Mayors, and First Selectmen from various towns attended a recent Public Health District Forum and voiced their concerns regarding State Commissioner Raul Pino's proposed plan to consolidate health districts into the CCOG (CT Council of Governments) Regions. Salem is currently utilizing and is very satisfied with the services of the Uncas Health District. The original platform, which calls for towns to pay 1.5% of their respective municipal budgets, would result in a significant cost increase for the Town.

Due to the unpredictability of special education on Town/BOE budgets, the need for a State standard for special education was discussed at a recent Southeastern Connecticut Council of Governments (SECCOG) meeting in an effort to gain more clarity and lift part of the burden from the municipalities.

Some interest has been expressed for the potential Small Cities Grant for housing rehabilitation. Should enough homeowners express interest, he plans to reapply for the Grant in 2017.

Board Member Collins added that, as part of this year's budget, the State is in the process of investigating possible options to help increase the predictability of special education costs, including the possibility of instituting a co-op-type plan that would result in the elimination of the special education costs from the ECS formula. In recent discussions he has had with Superintendent Onofrio, Board Member Houchin stated that they are investigating the possibility of instituting a single cost accounting system in which services are based upon a defined process. BOE Chairman Siebert added that the majority of special education students arrive in Salem already identified as such. This is often due to the School's reputation for having, not only a very good school, but also a very good special education program.

The following item was added to the Agenda:

6. OPEN DISCUSSION WITH THE BOE

The following concerns were voiced regarding the BOE budget:

- The Business Manager's salary exceeds that of the First Selectman as well as those working for similar-sized schools.
- The delivery and signing of the checks are both conducted by the Business Manager, which does not come under best practice. It was clarified that Vice-Chair/Treasurer Pudimat reviews and signs the register and the Business Manager generates the checks.
- The need for increased oversight within the budget line items, i.e., the process by which funds are moved from one line item to another. BOE members should be aware of how much and why funds between certain line items are being moved and how these transfers line up with their strategic plan. Discussions regarding any changes that might need to be made to ensure that the line items are funded correctly in the future should also take place. Strategic issues with the manner in which the budget is operating and efficiencies within the budget might also be discovered in the process.
- The accuracy of the budget with regards to the funding of the additional kindergarten teacher was questioned (line item 001-1112-100-4000-012-111-010, ES-Kindergarten – Regular Salary)
- The question of whether adjustments are made from year to year of students slated to attend East Lyme High School as an adjustment of approximately \$100,000.00 in line item 001-1118-100-2000-030-561-010, Tuition, Regular Ed – East Lyme, indicates otherwise.
- The accuracy of the budgeting for line item 001-1299-100-4000-050-201-010, School Health Insurance – Certified, which has undergone a series of adjustments since last fiscal-year.
- The actual number of additional tutors/aides that have been hired was questioned. The budget indicates an increase for the following line items, indicating that additional tutors/aides have been hired beyond what was communicated to the Board:
 - 001-1299-700-1000-050-222-010 Social Security – District – Non-Certified
 - 001-1299-700-1000-050-224-010 Medicare – District – Non-Certified
 - 001-2190-100-4000-010-110-010 ES – Regular Ed Aides/Tutors
 - 001-2190-200-4000-010-116-010 ES SPED Aides/Tutors
 - 001-2190-200-4000-020-116-010 MS SPED Aides/Tutors
- The question of the funding of the additional salary for the kindergarten teacher. The additional salary does not appear to be indicated in the budget nor does there appear to be adequate funds in their unencumbered balance to cover the salary. In response, BOE Chairman Siebert stated that a number of lines have been stripped to zero to fund the

Board of Finance Regular Meeting Minutes
Thursday, January 12, 2017

additional teacher and tutor and the unencumbered funds is what remains. These remaining funds will be utilized for any unexpected expenses.

- The reasoning behind the adjustment of \$20,260.65 in line item 001-2600-700-4000-050-400-010 Service Contracts – School.

BOE Chairman Siebert reported that members of the BOE receive the Monthly Expenditure Report as well as a list of the line item adjustments and the reasons for those adjustments. The list and any additional information regarding the budget will be provided to the Board in the future. Board Member Houchin stated the importance of the members of the BOE to receive the information prior to their meeting so that a careful review may be conducted and any questions can be discussed, rather than providing a consent agenda item.

BOE Chairman Siebert stated that the BOE has been reviewing their FY2017-18 Budget. Based on the current numbers, they estimate a 2.6% increase in their budget. The Board informed him that the target for FY2017-18 Budget is zero. In an effort to cut costs and balance the Town's budget, First Selectman Lyden stated that the largest expense lies within staffing and benefits and, over the past eight (8) years, he has reduced the Town's staffing and staff with benefits. As such, Chairman Butcher suggested reviewing the staffing, benefits, and possibility of sharing Superintendents with East Lyme as possible ways to reduce their budget.

BOE Chairman Siebert and Liaison Reith were thanked for their presence and input.

OLD BUSINESS: *none*

ADJOURNMENT:

M/C: Collins to adjourn the meeting at 8:50 p.m. Discussion: None. Voice vote, 6-0, all in favor.

Respectfully Submitted by:

Agnes Miyuki, Recording Secretary for the Town of Salem