

Minutes of the Budget Meeting of the Board of Finance (BOF)

Zoom Conference Call March 29, 2021

Call recording available under BOF on Town Website

Members Present: Ryan Anderson, Chris Childs, Tracy Eccles, Eric Harrington, Dr. Ann Huntington, Brian Kost **Members Absent:** None **Alternates Present:** Michael Haines, J Michael Stevens, John Sullivan (joined in progress) **Alternates Absent:** None

Also Present: First Selectman Melissa Mack, Director of Finance Deborah Cerrato, Treasurer Jack Henrie.

Chairman Anderson called the meeting to order at 7:01pm

Citizen Comment/Correspondence: None

Board of Education (BOE) 2021-2022 Proposed Budget Review – Superintendent Tim Van Tasel, BOE Chair Susan Davis, BOE Assistant Chair and Budget Subcommittee Chair Michael Sepko, and Business Manager Bill Hoff

- The panel reviewed a PowerPoint presentation of the budget **Chair Davis introduced the \$36,389,276 proposed budget**, noting it is a 1.36% or \$488,254 increase over 2020-2021. She reviewed a pie chart depicting the **budget categories**, with the largest being salaries and benefits at 84% of the budget.
- **Proposed personnel reductions and increases** totaling a net reduction of 9.5 FTE were reviewed along with the rationale for each. She noted that the reduction of 6.6 paraprofessionals based on reduced individual education plan (IEP) needs could change at any time based on IEP demand. Two personnel increases were noted. The Athletic Director position was made into an Administrative Athletic Director position but the salary increase will be only \$9k as .2 FTE worth will be absorbed by the PE department. A new assistant principal was hired for McAllister Intermediate.
- Due to the continued reductions in grant monies, 9.12 FTEs were moved from the Open Choice Fund to the BOE Operating Budget and .68 FTEs were moved from Title II grant to the BOE Operating Budget. This is to help transition these positions into the budget.
- **Potential savings** could be had if the health insurance increase is less than 10% and/or if employee enrollment is lower (will know in May 2021). **Potential liabilities** include Teamster Local 671 negotiations and any increase in special education (SPED) outplacements. Faculty or staff turnover could be a savings or a liability depending if the position can be absorbed or replaced at a lower salary. It is currently estimated at \$200,000 and has previously been \$175,000.
- **Mr. Sepko** reviewed the **remaining budget categories** (object codes), noting any significant increases/decreases in each. With the exception of salaries and benefits, all categories had a net decrease. He reviewed the **budget process** and recognized all the individuals that worked to create a budget in support of the BOE's goals.
- **Mr. Hoff** reviewed **health insurance projections** for next year. The estimated rate increase is 10% which results in a slightly less than 6% increase in the budget because there are 10 less employees, 2 less retirees and reimbursement levels increase with rate increases. The current estimated increase for Other Post-Employment Benefits (OPEB) is 10% (\$23k).
- **Superintendent Van Tasel** reviewed **student enrollment trends** showing a 13.07% decrease since 2014-15. He noted that 2021 currently has 58 students home-schooled, 44 due to parent selection because of the pandemic, so assumptions need to factor in students re-enrolling. There was a 9.46%

decrease in regular education staff (certified & non-certified) for the same period, so student enrollment did not decrease significantly more than staff.

- There has been a 12.6% increase in **Special Education (SPED) program** enrollment with an almost double that increase in SPED certified staff (more expensive than non certified), driven by student needs. However non certified staff has decreased by 6.5% so combined staff has decreased overall. He concluded that they are always going to look at staff and seek further adjustments while ensuring that student needs and parent expectations can still be met, and we maintain a school district that is sustainable.
- **Mr. Sepko shared a historical view of the budget** back to 2008, depicting how SPED relates to spending **and per pupil expense (PPE)**. SPED spending increased from 17.3% of the budget to 23.7%, overall enrollment decreased and Suffield's State ranking improved from 133 to 91.
- Review of town comparisons was provided noting that over the past 10 budget years, Suffield has ranked either 5th or 6th vs. comparable towns and 12th-15th in our own DRG.
- **Mr. Hoff reviewed revenue from the Agriscience program and Open Choice Grant.** The Agriscience program is projecting \$1.4M in revenue, a slight decrease from last year but overall the program has grown dramatically from 117 in 2015-16 to 175 in 2020-21. Out-of-town tuition is decreasing but more in-town enrollment is projected. The program also receives state grant funding per pupil enrolled.
- The Open Choice program funding is decreasing. Some of this was intentional but they are also struggling to recruit students as Suffield is one of the furthest towns from Hartford. They receive \$4k per student unless participation drops below 2% then it drops to \$3k. They are working hard to improve recruiting.
- Open Choice monies are applied to real expenditures that exist regardless of the grant availability. The budget currently estimates Open Choice funding at \$21k but it may be higher based on February projections.
- **Superintendent Van Tassel** discussed three **Pandemic relief grants**: COVID-19 Relief Funds (2019-21) SnS Prohibition, ESSER I (2019-21) No SnS Prohibition and ESSER II (2020-23) (Proposed) No SnS Prohibition (SnS is "Supplement, not Supplant" meaning grant money cannot offset current budget/operating expenses). He reviewed what the first round of grant money was used for such as PPE, building prep, ventilation etc. The second round of funds did not have SnS prohibition but was useful with so much happening in the school district. The next round, ESSER II, can be used over 3 years. They want to balance what has been lost by students and families and help meet BOE objectives. Mr. Hoff said \$229k is for committed expenditures like buses, food service, Summer school. \$769k is not committed yet. The BOE wants to collaborate on how to best use the funds for the community.

Discussion and Q&A

- Mr. Harrington challenged the BOE to consider review and adjustments of staff counts to match declining student enrollment. Superintendent Van Tassel said having been in multiple districts he doesn't see Suffield as overstaffed but staffed to meet the program expectations of families and the administration. In his two years in district he's made an aggressive push to modify staffing based on student counts and need as quickly as possible without creating gaps. He gave several examples of the planning required to successfully make reductions to-date while still meeting state requirements.
- Mr. Kost noted that the cost per student is going up double the rate of inflation over a 10 year period so he believes planning needs to be at a faster pace. He thinks middle school class sizes are too small and SPED costs must get reined in, although he recognized this is an issue in most districts and states. He would like BOE budget increases to be in line with standard inflation as trends show enrollment declining materially in the next 10 years. Mr. Van Tassel agreed there are structural issues with public education funding and SPED costs are an issue for all towns. Legal requirements have been outpacing our changes, however he believes with their new leadership they will provide better services for fewer outplacements. Regarding middle school class size, enrollments would have to decrease enough to

remove a team. He does not believe families would be happy with class sizes near 30. Last year they had significant staff reduction in middle school.

- Chairman Anderson shares concerns regarding the pace of spending noting we need to leverage Covid relief funds carefully so they are not gone before moving to a more sustainable model. He also asked the BOE to add the balances in each grant account on and the deliverable shared as well as adding a low-end amount to represent the American Relief funds. He asked if they could show all the funds with current balance and forward projections. Funds with deadlines need to be spent before Open Choice.
- Ms. Eccles asked if in addition to grant year-end balances they could include projected surplus for this year to help project what we want to put into the newly established education surplus fund. She also requested the beginning balance be added to the grant overview deliverable.
- Mr. Haines asked for a slide showing historical headcount by category which Superintendent Van Tasel will send to Chairman Anderson for distribution. He believes it was a slide he had in his presentation to the Board of Education. Superintendent Van Tasel does not believe the State pushing unfunded teachers pension liability to the towns is planned for legislative discussion this year.
- Chairman Anderson summarized the budget presentation, thanked the panel for their efforts and noted a planned meeting of the BOS, BOF and BOE next week to determine the best approach for using the pandemic relief funds, which will ensure a common message to the Town.

Insurance and Employee Benefits

Ms. Cerrato reviewed the **Insurance Fund** activity worksheet (active employees, retirees are in the OPEB fund). The fund had a deficit of \$708k as-of June 30 2020. The estimated net position as-of 2/28/2021 is \$145,967. This is with the transfer in from the budget of \$500,000 and about \$354k less in claims than revenue received. The projection includes an annual trend estimate and also an estimate for an increase in claims that have been deferred because of COVID. That is why the consultant was comfortable with an estimated increase of 7.2%. There was discussion of reducing the estimated 10% increase in the town and school budgets however all agreed to leave it as claims are now running higher as people get vaccinated and resume health care visits/procedures. This will also help to build up a reserve in the fund.

Regarding the **OPEB Fund**, the Board discussed changing the annual investment rate of return from 6 5/8 to 6 3/8. Mr. Childs prefers to wait for the pension budget discussion before we do this, and is against putting excess dollars into the Pension Fund as others provide better returns and give more flexibility. He cautioned that while a gradual reduction makes sense, it is a 30 year fund so interest rates may not be low 5 years from now, we already implemented more conservative life expectancy and have been reducing the rate of return. Mr. Kost noted we have a fund balance to cover disasters yet we didn't use any for the pandemic so he questions keeping \$7M-\$8M in Undesignated Fund balance vs. moving some into Capital Non-Recurring Expenditure (CNRE) to earn interest since we don't need liquidity. First Selectman Mack suggested putting some into a cemetery fund and Mr. Childs agrees this could be invested with a trust structure so an approximate balance of \$1M can provide \$35-\$40k for cemetery maintenance. First Selectman Mack requested this cover all cemeteries, including those currently maintained by volunteers which may not have succession plans. She also requested some funds be put into CNRE to maintain our buildings as we have not done this well in the past. Ms. Cerrato will confirm the large increase in the 457 plan is due to new hires as it appears larger than that. She will also check with the actuaries for the status of the OPEB report.

Covid Relief Funds

The Board discussed many options such as the Bridge Street Park, Facilities Master Plan, items on the Advisory Commission on Capital Expenditures (ACCE) list, Open Space funding. Ms. Cerrato will review and send the guidance provided but in general it should be for capital and non-recurring, not for operational expenses. Mr. Harrington stressed he would like consideration of using a portion of Covid funds to support businesses and others that were negatively impacted by Covid. First Selectman Mack

said neither the Town nor Suffield Community Aid (SCA) can provide the significant administration efforts and business finances analysis to do this in a fair and equitable manner. She noted that the SCA did help impacted individuals and few residents took advantage of the town's tax relief program. She believes we can help business by increasing our economic development, diversifying our commercial tax base. Keeping the mill rate low benefits everyone, including those that were hurt by the pandemic.

Mill Rate Work Up

The Board does not want to have any mill rate increase this year given the relief funds that are anticipated. The mill rate is currently at a 2.2% increase, so they need to decrease \$927k to get it to 0%. Ms. Cerrato will finalize the sweep amount for next week. Regarding the 4% increase in the BOS budget, First Selectman Mack said if they add only the required expenses it is a 2.8% increase and Mr. Harrington wants to revisit all items above that 2.8%. Mr. Childs does not agree that the 4% increase is high because we ran it to zero last year due to Covid, it includes a 53rd week and the new paramedic position and even with the modest additions we still don't have a fully staffed library. First Selectman Mack noted the additional above the 2.8% includes a 2% increase for all the Department Heads that went above and beyond during Covid.

Mr. Childs made a motion to adjourn the meeting and Mr. Harrington seconded. All were in favor and the meeting was adjourned at 9:42pm

Respectfully submitted,
Kris Kelliher

These minutes are not official until accepted at a subsequent meeting.