

THESE MINUTES ARE SUBJECT TO APPROVAL BY THE BOARD OF FINANCE

The Board of Finance held a special Wednesday, November 19, 2014 in the Council Chambers at the Municipal Center, 3 Primrose Street, Newtown, CT. Chairman John Kortze called the meeting to order at 7:30pm.

PRESENT: John Kortze, John Godin, Joe Kearney, Mike Portnoy and James Filan

ABSENT: Harry Waterbury

ALSO PRESENT: First Selectman Pat Llodra, Finance Director Bob Tait, Legislative Council members George Ferguson, Joe Girgasky, Bob Merola, Ryan Knapp, Neil Chaudhary, Mary Ann Jacob, Dan Amaral, Anthony Filiato, Dan Honan, Paul Lundquist, and Phil Carroll, Superintendent Dr. Erardi, Assistant Superintendent Dr. Gejda, Board of Ed members Keith Alexander, David Freedman, Laura Roche, Kathy Hamilton, Michele Ku, Debbie Leidlein, Business Director Ron Bienkowski, Deputy Director of Land Use Rob Sibley, Town Attorney Dave Grogins, 2 press, 7 public

CALL TO ORDER: Meeting was called to order at 7:30pm

NEW BUSINESS

DISCUSSION OF 2015-2016 BUDGET: Mr. Tait shared the Selectmen's budget outlook. He noted medical claims to date are 10% less than the prior year. If this continues, there will be little or no increase in that category. The Pension contribution will not increase. The .2% increase is in life insurance and long term disability. They are keeping operating expenses as close to zero as possible. The capital line item is the restoration of a \$100,000 contribution to the capital non-recurring fund and an additional \$250,000 for roads. Refunding of bonds will save \$225,000. The budget is forecasted to be a 1.1% Increase. Any increase in budget expenditures will be decreased by any increase in the taxable grand list. The funds from the Department of Justice for School Security Officers will only be for half of next year. We will be short \$150,000. Increases in town clerk and building permit revenues will hopefully offset it. Mrs. Llodra added the goal is to bring forth a budget with no tax increase. Number one priority is to invest in capital road account with an additional \$250,000 each year. Second priority is to add a full time position in technology. The IT department is very small. A full time person is needed to manage police services. The position will not come forward without an increase in the grand list.

Mrs. Llodra clarified the Department of Justice grant for the School SSO's ends in December of 2015. For 2nd half of the budget year, will need to find another source of funds. She and Dr. Erardi stated feedback on the School Security officers has been positive

Mr. Lundquist asked if Mr. Tait anticipated we may have 1% increase in the grand list. Mr. Tait said we have been averaging an increase of 6/10 of a percent a year. We will know at the end of December.

Mrs. Llodra cautioned the identified deficit for State of CT could affect our municipal aid.

Mr. Tait clarified the contingency account is for legal expenses and building emergencies.

Mr. Amaral noted in an effort to become more efficient, we should have a purchasing agent. Mrs. Llodra agreed but we need to be confident with revenue stream before adding the position because the payout would take a year or 2. Increases in revenue will be for roads and an IT position. Anything above that will be used to reduce the mil rate.

Mr. Kortze asked if the town expects any costs regarding grants that may run out in the next few years and if there is any more information/update regarding the cadillac tax issue.

Mrs. Llodra does not have an update on the cadillac tax. The DOJ grant ending will have an impact. In 2015 or 2016, the revenue stream that funds services and personnel will end and we will need to identify the services that are critical and determine how we will fund them. Dr. Erardi added the Board of Ed is looking at a 1.2 million dollar increase in 2 years due to the cadillac tax. Attachment

Board of Education: Dr. Erardi states the building principals and program managers have submitted their budgets. He will submit his work to the Board of Ed the day before the December break. Dr. Erardi shared the known estimated expenditures for contractual requirements and he is expecting good news regarding the health insurance. Dr. Erardi stated the 2016-2017 school year is going to be very problematic. The “affordable” care kicks in and the Department of Education grant, which currently employs 17 full time employees, will end. Next week there will be a meeting regarding the safety and security of the town and schools and it will have budget implications. The new Sandy Hook School is on time and budget and will open for the 2016-2017 school year. Dr. Erardi noted the enrollment study shows a decline in the school population for the next nine years, to 2024-25, it is then anticipated enrollment will begin to increase for 10 years, bringing us back to the current levels in 2034. The space study needs will begin this Friday and is expected to report in January regarding space in the seven schools. A long term planning study will be launched in December. Dr. Erardi shared the Board of Ed budget calendar. Attachments

Ms. Jacob asked about revenue projections. Mr. Bienkowski explained the Education Cost Sharing Grant from the state is a complicated formula based on a number of criteria including the wealth of a community. The towns viewed as having the ability to pay receive less state aide. Newtown is a hold harmless town, a provision in the statute so towns do not see a dramatic decrease in their revenue. Our grant revenue has been consistent for the last 5+ years.

Ms. Jacob asked if the district anticipated additional costs for safety related issues that are significant and have not been anticipated or put into practice. Dr. Erardi stated conversation needs to take place first with the parent community, then shared with the Board of Ed and the First Selectman.

The present spending plan for security includes grant funding, continued funding for the Monroe Police Officer at SHS School and to gauge what parents want and then move forward with what is needed for all our schools. He does not anticipate any additional spending. He does anticipate more creativity with grant funding to maintain our present practice.

Ms. Jacob asked for more details on long term planning. Dr. Erardi stated a long term planning committee was assembled by the Board of Ed in 2010-2011. The team did good work but it was never brought to the finish line. The committee will be reassembled in December and they will be schedule to finish in September 2015. The plan will guide the school board for the next 10 years.

Mr. Merola has been tracking actual numbers for 8+ years and they have been well below the median, high and often the low projected numbers. He has concerns about planning on the median numbers and cautioned Dr. Erardi to include actual numbers in planning. Dr. Erardi stated the consultants strongly recommended using the median figures.

Mr. Knapp asked if there was more risk in going with high or low numbers. For next year the delta is our graduating class which will be 450 and the incoming class anticipated to be between 225 and 250. He noted the projected decline in enrollment was projected well before 12/14.

Ms. Hamilton noted there is not a big difference between the low, median and high projections. What's important is the trend. We need to monitor what is in the pipeline: births, economy, housing starts, etc., against the numbers we are using.

Mr. Kortze asked if there was any discussion on unemployment and if the numbers could rise again. Dr. Erardi said the consultants recommended using the median numbers based on the continuing economic recovery and decreasing unemployment. Mr. Kortze asked why there is an anticipated 30% to 50% increase in births over a five year period. Dr. Erardi stated the consultants believe that young families will continue to move into Newtown. Mr. Kortze asked how the enrollment study relates to the capacity of our schools and optimal capacity moving forward. Capacity being a high school built for 2,200 students and the total number of classrooms in the 7 district schools. Dr. Erardi said there are not a lot of empty classrooms and 2 schools are at capacity. According to the projections, the high school population will drop to 1,100. The elementary schools will stabilize and Reed and Middle school will drop 30-40%. We will have space in the very near future. Space has changed. We now have students that were never in our system. Some are medically fragile students and they need more space. Dr. Erardi is not in a position to make a recommendation to close any building next year.

Mr. Kearney noted if we freeze budget for next 5 years, with the drop in enrollment we will be spending \$19,000 per student, over 4% a year increase in per pupil expenditure. He believes it is imperative we talk about closing a facility sooner rather than later, because investment in the classroom is greater than investment in a building. Dr. Erardi said it is

why they are working so quickly to gather all the information needed for the Board of Ed to have that conversation.

Mr. Portnoy asked if Dr. Erardi anticipated any savings because of reduced enrollment; if he will reduce staff as enrollment declines. Dr. Erardi stated based on the Board of Ed guidelines for classrooms numbers; he anticipates a reduction in force, to be done by attrition.

Mr. Portnoy stated based on the numbers, in 2016 there will be 2050 students in grades 8-12, grades 5-7 would fit in Reed, and 1260 students in grades K-4. Sandy Hook will hold 600. There seems to be a number of options. Dr. Erardi believes the Board of Ed will have all the information, from the various studies, to have the conversation about funding and facilities for the 2016 school year.

Mr. Bienkowski will send info regarding employee contracts to the Council and Board members.

Ms. Jacob stated the discussion on closing a school is difficult but necessary and the conversation has to start now. Some of the changes will help offset the cost of Affordable Care. Dr. Erardi is ready to discuss but cannot draw a conclusion until we have all the data.

Mr. Ferguson recommends having a conversation with bargaining units regarding health care and alternatives that are not taxable.

Mrs. Llodra clarified the Department of Justice grant ends in December 2015. It is \$300,000 for police services and \$500,000 in mental health supports. The impact of the Affordable Care, about \$500,000, comes to bear in 2017.

Mr. Kearney asked what the total tax will be on all CT towns. Dr. Erardi said it is enormous and our Federal delegates have said it is not going away.

Mrs. Llodra noted there may be litigation on behalf of municipalities challenging the right of the Federal government to levy a tax to be borne by taxpayers on the behalf of others. Mrs. Llodra stated at some point we need to look at whether employers should be mandated to provide health insurance. Perhaps give wage increases equivalent to the value of medical insurance and everyone would go to the exchange. The result of the cadillac tax would be a reduction in services and staff.

ADJOURNMENT: The Board of Ed and the Board of Finance adjourned at 8:55pm.

Respectfully Submitted,

Carey Schierloh, Clerk Pro-Tem

Attachment A: Selectmen's Budget Outlook, BOE Contracts and Budget Calendar

Attachment B: Enrollment Study