

3 PRIMROSE STREET
NEWTOWN, CT 06470
TEL. (203) 270-4221

BOARD OF FINANCE
MINUTES
REGULAR MEETING

Held remotely due to COVID-19 Mandates and Precautions
Monday, April 13, 2020 at 7:30 p.m.

These minutes are subject to approval by the Board of Finance

Present: Sandy Roussas, Keith Alexander, Ned Simpson, Chris Gardner and John Madzula

Absent: Matthew Mihalcik

Also Present: First Selectman Dan Rosenthal, Finance Director, Bob Tait, BOE Chair, Michelle Ku, Superintendent, Dr. Lorrie Rodrigue, Newtown School District Director of Business, Ron Bienkowski, BOE Member, Dan Delia, two members of the public and one member of the press

Sandy Roussas called the meeting to order at 7:32 p.m. Attendees saluted the American Flag.

Voter Comments

None

Communications

Chair Roussas shared email correspondence from Steve Hinden of 25 Horseshoe Ridge Road (see attachments).

Chair Roussas contacted Legislative Council Chair, Paul Lundquist, to encourage the LC to act on the revised CIP Policy the BOF forwarded for approval. Current policy specifies BOE proposed CIP be presented in June where the revised policy moves BOE CIP presentation to September. Effecting this change would give the BOE more time this year.

Minutes

Chris Gardner moved to approve the minutes of April 13, 2020. Keith Alexander seconded. Ned Simpson made the following corrections: Remove sentence “ Can we give BOE breathing room regarding their 2021-2022 CIP?” Add “Mr. Simpson noted a need to look ahead to prepare expense/revenue budgets date for 2021-2022. Chair Roussas responded by saying budget planning is important and the BOF needs to discuss this; however, the various variables at play right now make these questions hard to answer.” All in favor and motion passes.

First Selectman’s Report

First Selectman Rosenthal reported that the BOS met on Monday, April 20th at which they approved the contract with design firm for The Sandy Hook Permanent Memorial.

The BOS also met Wednesday, April 22nd and endorsed the proposed budget by reducing the BOS budget by \$250,000 and reducing the BOE budget by \$450,000. The plan is to appropriate \$700,000 from FEMA reimbursement from the Fund Balance to Capital Non-Recurring. Therefore, items in both budgets will be funded by FEMA reimbursement (not taxation). This created a budget reduction of 1/100th (-.03%) to the Mill Rate.

Chair Roussas asked if the list of potential capital projects mentioned at the last BOF meeting were discussed at the Wednesday evening BOS meeting. The First Selectman responded by saying they were

discussed. This will have to be approved by BOS, BOF and LC before the end of the fiscal year.

The First Selectman also shared that he had a walk through today with the BOS at the new Police Facility, which is moving along within budget.

Mr. Simpson asked when the FEMA appropriation comes if it be treated as a Special Appropriation or Emergency Appropriation. The First Selectman said it is a Special Appropriation.

Finance Director's Report

Finance Director, Bob Tait, spoke regarding our Pension Plan that had \$45MM at end of June and currently has \$42MM (it is riding with the market right now and expect hopefully to go up in the future). The Town Asset Allocation was Fixed Income at 38%, Domestic Equity 34% and International Equity 25%. The Pension Committee rebalanced and it's back to Fixed Income 35%, Domestic Equity 35% and International Equity 30%. Our performance is typical with the Blended Benchmark (9.3%). Our Pension decreased by 9% for the month of March. Last night the LC approved the Auditor's for another year (contract Year 4 of 5). The LC also chose the Deferment Program for taxes (without any program we have a 30 day grace period regarding taxes) and with this program we have 90 day grace period regarding taxes.

Chair Roussas asked if we will look at the increase contributions to the Pension Plan. Mr. Tait said we contribute once a year calculated by the Actuary and will view this when it's time.

Mr. Simpson asked that by Charter if the BOF recommends the Auditor to the LC. Mr. Tait said the BOF does recommend the Auditor to the LC during the RFP, but this was within the 5-Year contract. Mr. Simpson stated the Charter suggests the recommendation every year. Mr. Tait said he would look into this.

Unfinished Business

Debt Policy

Chair Roussas noted the process by which the BOF previously took to review and edit the Debt Policy. Discussions happened around previous edits.

Fund Balance Policy

Chair Roussas noted the current BOF cohort has not reviewed this policy as a group. Discussion happened around certain edits to the Policy.

Mr. Tait suggested increasing to 12% to two months (16%) worth of operating expenditures would be the limit. Chair Roussas asked if that would have the effect of the BOE grow Fund Balance proportionally with the budget increases. Mr. Tait said this can be a gradual process, but we need to increase Fund Balance for the Town to remain in current standing (12%).

The First Selectman stated the Town needs to continue to grow the Fund Balance proportionally to the overall budget per the Rating Agency. The First Selectman also commented that he would like to focus on using budget surpluses annually to grow Cap Non-Recurring to take the pressure off annual operating budgets and/or bonding. This would be a direct benefit to the taxpayer.

Chair Roussas asked Mr. Tait where the Town currently stands in terms of Fund Balance percentage. Mr. Tait stated that right now the Town is around 13% (rough estimate); however, with the Special Appropriations (if they're approved this budget year), the Town will be somewhere around 11.5% - 12%.

Keith Alexander commented that the reason we have 12% is to not overburden taxpayers. He agrees with the 12% as a fixed measure as a reminder that we don't want to go up. Mr. Gardner agreed.

New Business

BOE Non-Lapsing Account

Dr. Rodrigue noted the BOE is looking at this account through the information they currently obtain. There

are many unknowns right now. Dr. Rodrigue asked her Directors/Principals to share what their anticipated needs may be regarding potential expenditures (technology, special education compensatory services, tutoring, etc).

Ron Bienkowski reiterated these are uncertain times and given the timeframe without school, there will be significant savings. The BOE is planning to recommend a reservation of \$300,000 for Special Education, \$350,000 for Turf Replacement at the High School, Engineering Services for the Hawley HVAC project (\$300,000 savings to the taxpayers), \$250,000 anticipated COVID-19 expenses (Dr. Rodrigue previously mentioned). The Non-Lapsing Account will still grow, but will be offset by the reservations Mr. Bienkowski just mentioned. We will not know the final adjustment of these funds until the end of the year.

Dr. Rodrigue added they had a preliminary conversation with the BOE regarding the Hawley HVAC and this conversation is ongoing.

Michelle Ku added there has been discussion among the BOE members regarding the savings. Ms. Ku reminded the BOF that at the State level there has been concern about the public health implications about going back to school. Newtown Public School System is the largest employer in Newtown and given the nature of COVID-19, the idea of bringing everyone back together coupled with the etiquette of Social Distancing may seem difficult. Ms. Ku added that while we have savings now, we do not know what next year will bring in terms of budget and expenses. Task forces are being formed around the State to discuss how to reopen schools (some ideas of which are costly).

Chair Roussas asked if there was a timeline for when these recommendations will come out.

Dr. Rodrigue responded by saying everything is preliminary because discussions, facts and needs are changing everyday due to all of the unknowns (the Governor hasn't officially closed schools for the year). The BOE will very likely have needs for which they are currently not accounting given all of the unknowns. Dr. Rodrigue's Committee of Re-Entry will include and reflect what this report may suggest.

Dan Delia noted that this is a moving target and while we have a surplus now, we do not know what next year will look like. The BOE are stewards of the townspeople and are trying their best to prepare; however, next year is simply unknown.

Chair Roussas asked if Dr. Rodrigue anticipates any additional staffing. Dr. Rodrigue responded by saying the Committee of Re-Entry will help answer some of these questions.

Mr. Tait asked if the school district received any payments from the State for the excess costs. Dr. Rodrigue said she has not received anything.

Mr. Simpson noted cga.ct.gov where in 10-248a transfers to Non-Lapsing Account cannot exceed 1%, adding that BOE projected surplus is more than what the BOF could approve for the Non-Lapsing Account (more than 1% of the budget). Dr. Rodrigue noted it was increased to 2%. Mr. Bienkowski said the BOE can hold 2% per year (not a 2% cap).

Chris Gardner asked about the timeline for determining the Non-Lapsing Account. Chair Roussas said the school year needs to end to obtain a final number. The BOE will then come to the BOF mid-August after the budget books are closed. If the BOE wants to use any of the money, they do not have to wait until the end of the year.

Dr. Rodrigue emphasized that the BOE is trying to be transparent regarding the uses of the fund. Dr. Ku commented about using the funds for the Hawley HVAC. The BOE can utilize the project with the surplus money without counsel from the BOF and LC; however, Ms. Ku mentioned that the spirit of the BOE is to garner agreement with BOF.

Mr. Delia noted the Committee is trying to be very thoughtful with their discussions and decisions regarding the Non-Lapsing Account Policy and Non-Lapsing Account.

Chair Roussas encouraged a partnership between the BOF and the BOE regarding the surplus.

Mr. Delia invited the BOF to the next sub-committee meeting (CIP/Facilities/Finance Sub Committee).

Chair Roussas asked if there is a timeline for when they are going to review and make changes to the Non-Lapsing Account Policy. Mr. Delia said many discussions are happening within the CIP Finance Committee, Policy Committee.

Ms. Ku added it is important that the BOE work with the BOF. She noted the importance of a balance between getting advice and insight as well as the ability to use the money that's been voted on by the voters for educational purposes. She looks forward to speaking with the BOF regarding this account. Mr. Delia agreed.

Voter Comments

None

Announcements

None

Adjournment

Keith Alexander made a motion to adjourn. John Madzula seconded. All members were in favor and the meeting was adjourned at 9:02pm.

Respectfully submitted,
Kiley Gottschalk, Clerk

Attachments

Email Correspondence with Steve Hinden

----- Forwarded message -----

From: **Steve Hinden via Newtown CT** <cmsmailer@civicplus.com>

Date: Wed, Apr 22, 2020 at 7:33 AM

Subject: Form submission from: Contact the entire Board of Finance

To: <sandyrroussasBOF@gmail.com>

Submitted on Wednesday, April 22, 2020 - 7:33am

Submitted by user: Anonymous

Submitted values are:

Your Name: Steve Hinden

Your e-mail address: steve.hinden@gmail.com

Subject: Budget questions for consideration

Message:

Dear Dr. Ku, please share this with your other BOE members (there was no "email all" option on the website). Thanks.

First, I want to thank you all for your service to the community during these challenging times. As mostly volunteers, the demands on you are undoubtedly more than could have been anticipated, and I am grateful for the time and thoughtfulness you are bringing to our community.

As we look ahead, there continues to be great uncertainty about how long distancing will persist. There are many trade offs, including being responsive to the economic stress our community is facing, and I understand that any budget savings can have a direct impact in relieving that stress.

However, I would like to understand how you are factoring into these considerations the needs of the community if distancing continues into 2021 or beyond, should effective treatments or vaccines for COVID-19 remain elusive (as seems to be likely, at least into 2021). Specifically:

1. Is the BOE budget sufficient to address effective distance learning, particularly for special education needs? Will additional funds, or non lapsing funds, be directed here? Is there a strategy to improve these capabilities for what might be a longer time horizon than initially planned? Has the feedback been sought, obtained and considered from parents, teachers and students, on how well distance learning has worked and what needs to be improved? Have you considered the potential exposure to costs and liability if our current efforts are not improved?
2. Is the town budget sufficient to address distance operations, particularly video meeting capability, including recordings (ours is not up to the standards and needs of the times) and phone line availability and reliability?
3. Generally, as you think about redeploying "savings" from this year's distancing efforts, have you considered the balance between returning to taxpayers and positioning our town to deliver on needs and services that may require significant investments? Have those required investments been identified and quantified? In sum, is there a plan if distancing is not short term?

I realize that these questions have likely already been raised, but when we hear rumors of a budget that has already been approved by the BOF being re-examined for a zero increase year on year, I get concerned that the questions raised above are getting short shrift.

Thank you again for your service and considerations of these issues. And I hope you are all managing these times well and are staying healthy.

Steve Hinden 25 Horseshoe Ridge Road

On Apr 23, 2020, at 2:29 PM, Ku, Michelle <kum_boe@newtown.k12.ct.us> wrote:

Steve,

Thank you for weighing in on the budget and the flexibility that we will need in the coming year. You are right to be concerned and are not alone. In the last couple of weeks, there has been increasing focus within the education community about sufficient funding to address public health concerns as well as academic challenges next year. There are efforts at the state level to form regional task forces to help in planning. Unfortunately, many towns are passing budgets now and have already made reductions to budgets in anticipation of an economic downturn.

The Legislative Council adjusted the budgets last evening and will seek public comment on the proposal. Essentially, the BOE-requested budget has been reduced by \$100,000 (by the BOF), and \$450,000 (by the LC), with \$450,000 then allocated to the BOE from FEMA money to make up for the LC reduction. Personally, I support this proposal (though, I think it would have been more clean to have simply changed the revenues rather than the spending - but the outcome is similar).

As you may know, the BOE is projecting a significant surplus at the end of this fiscal year as a result of the COVID crisis. Unfortunately, the crisis does not pay attention to the fiscal year. The BOE's ability to access this year's surplus for next year's expenses is dependent on the BOF and their willingness to allow the BOE to deposit the surplus into the education non-lapsing account. In July and August is when this transfer will be considered, and I suggest that a reminder from you and others about the importance of education and the ability to respond to the crisis will be of substantial importance.

Thank you for taking the time to write,

Michelle Embree Ku
Newtown Board of Education, Chair
203-364-9862

From: **Steve Hinden** <steve.hinden@gmail.com>

Date: Thu, Apr 23, 2020 at 3:31 PM

Subject: Re: Form submission from: Contact Michelle Embree Ku

To: Ku, Michelle <kum_boe@newtown.k12.ct.us>, Daniel Rosenthal <dancrosenthal@gmail.com>, Paul Lundquist <plundquist.newtown@gmail.com>, Sandy Roussas <sandyroussasbof@gmail.com>

Sounds to me like manipulation. Now the BOE budget next year has a 450k lower starting point, so year on year increases look higher to voters. Or am I missing something? All, please consider this as communications to your respective boards.

-- Steve