TOWN OF NEWTOWN
Board of Finance:
Joint Board of Education, Board of Finance & Legislative Council Work Group

MINUTES
Monday, June 28, 2021 Virtual Regular Meeting

These minutes are subject to approval by the Joint Non-Lapsing Work Group

Present: Dan Delia, Chris Eide, Cathy Reiss, Ned Simpson, Deborra Zukowski, and John Madzula II
Absent: Debbie Leidlein

Chair Ned Simpson called the meeting to order at 7:33 p.m. Attendees saluted the American Flag.

VOTER COMMENTS - None

APPROVAL OF MINUTES

Cathy Reiss moved approval of May 3, 2021 Minutes Chris Eide seconded.

Change Page 5, "Response to Dr Ku's Question" end of second bullet changed from "deadline could not be met" to deadline might not be met"

All in favor and motion passed.

COMMUNICATIONS

Deb Z circulated a document that combines BOE regulation, BOE policies, the draft policy attached to the June 3 minutes and copious comments. Attachment A

NEW BUSINESS: - None

OLD BUSINESS:

- Discussion and possible action: Policy related to a Newtown Non-Lapsing Educational Fund
  - General Principals
    During the discussion members expressed general guiding principals
    - Make taxpayer funding efficient (Cathy R)
    - Use of funds and the process for approving funds should be transparent (Chris E)
    - The School District should be rewarded for ending the year under budget (Chris E)
    - The BoF has resisted establishment of a new long term funding mechanism (Ned S)
    - The Work Group will write the policy for the current Charter and legislation. If either change in the future, the policy we need to be revisited.

  - Use of Funds
    Discussion began on "Section 3Use of Funds" using the draft policy included as Attachment A, page 8, to the June 3, 2021 meeting minutes.
    - Initial discussion yielded three purposes:
      i. Extraordinary or emergency expenditures which may be necessary but not otherwise budgeted.
      ii. Full or partial funding of a Capital Asset Project which is approved for Year One in the Capital Improvement Plan (CIP)
      iii. Unforeseen Special Education expenses.
    - Further discussion of additional items to the three items above lead to the conclusion to not itemize specific uses and use the following for Section 3:

> "A. The Board of Education may, subject to final Legislative Council approval authorize expenditures from Non-Lapsing Fund for any expense that the Board of Education determines necessary to support students or that are in the best interests of Newtown Public Schools."

- Review and Approval Sequence
  At this and previous meetings, when discussing where the BOE would send their Non-Lapsing requests the path was explicitly or implicitly: to LC or to BoF then LC. It has been agreed that for deposit and use of funds, Legislative Council, the "Fiscal Authority," will have final approval. The draft from the June 3, 2021 meeting minutes used the phrase "Legislative Council considering recommendation from Board of Finance".
  - Ned S challenged the linear approach stating that BoF concerns about Non-Lapsing could be alleviated by parameters on deposits and use of funds. For example, Section 3.ii could be modified to allow BOE to Use Non-Lapsing for Year One projects without a separate review step for use of Non-Lapsing. This approach would eliminating two or more meetings where the BOE would have to present use of Non-Lapsing. This was not accepted by the Work Group
  - Four approaches to describe the Non-Lapsing approval path, after the BOE, were presented and discussed. The first three were articulated by Deb Z and the fourth offered by Cathy R:
    1. Fiscal Authority
    2. To BoF which would forward recommendation to LC for final approval
    3. To Fiscal Authority which could then seek recommendations from other bodies such as BoF
    4. To LC which could then seek recommendations from other bodies such as BoF
  - This discussion became focused on the Attachment A document Deb Z circulated to the Work Group where she had brought in language from BOE Policy 3160 into section 2.A.i and ii. This led to discussion of the need to reflect fiscal year-end closing and use of the August 31 deadline for requesting deposits into Non-Lapsing in current BOE policy.
  - The Work Group settled on a process where:
    1. BOE would submit Non-Lapsing requests simultaneously to BoF and LC.
    2. LC would delay action on the request giving BoF time to make a recommendation.

    Ned S will look at regular meeting schedules and consult with Bob T regarding closing schedule to draft language.

- Response BOE Question: How to process Non-Lapsing for the current year
  Dan D brought up the question of how should the BOE process deposits and use of Non-Lapsing for the current year indicating that a modest surplus is expected ($12,000). Deb Z highlighted the BOE process for changing policy. N Simpson suggested that the BOE use their statutory authority and take what action they want, seeking LC approval for deposits without taking requests to the BoF. It would not be precedent setting and is not a large amount of money. John M agreed.

- Discussion purpose of Newtown Non-Lapsing Education Fund – Deferred until next meeting

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ANNOUNCEMENTS – None

VOTER COMMENTS - None

ADJOURNMENT

John Madzula made a motion to adjourn. Dan Delia seconded. All members were in favor and the meeting was adjourned at 9:30 pm.

Respectfully submitted,

Ned Simpson, Chair

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Attachment A Document Circulated by Deb Z

Newtown Non-Lapsing Education ~~Fund~~ Account

Section 1.Preamble

The Board of Finance of the Town of Newtown established a Non-Lapsing Account~~Fund~~ (the "Non-Lapsing Account~~Fund~~") in accordance with Connecticut General Statutes 10-248a1 on May 12, 2014. The statute, as amended in 2018, states:

> ~~1~~ Sec. 10-248a. Unexpended education funds account. For the fiscal year ending June 30, 2020, and each fiscal year thereafter, notwithstanding any provision of the general statutes or any special act, municipal charter, home rule ordinance or other ordinance, the board of finance in each town having a board of finance, the board of selectman in each town having no board of finance or the authority making appropriations for the school district for each town may deposit into a nonlapsing account any unexpended funds from the prior fiscal year from the budgeted appropriation for education for the town, provided (1) such deposited amount does not exceed two per cent of the total budgeted appropriation for education for such prior fiscal year, (2) each expenditure from such account shall be made only for educational purposes, and (3) each such expenditure shall be authorized by the local board of education for such town.

Section 2. Deposits into Non-Lapsing Account

A. The Board of Education may, subject to the approval of the ~~Legislative Council considering recommendation from Board of Finance~~Town's Fiscal Authority, deposit into the Non-Lapsing Account~~Fund~~ all or a portion of any unexpended funds from the prior fiscal year from the budgeted appropriation for education for the Town, provided that the amount deposited into the Non-Lapsing Account~~Fund~~ shall not exceed the amount set forth in Section 10-248a of the Connecticut General Statutes, as amended. To do do, the Board of Education shall:

> i. Receive a recommendation from the Newtown Public Schools Director of Business prior to August 31st. The recommendation shall identify any unexpended funds from the board's prior fiscal year operating budget.
>
> ii. Prepare and authorize a request to transfer unexpended funds from the previous year's budgeted education appropriation to the Non-Lapsing Account. The transfer request will include each account number and the amount to be transferred. If known, the specific use for the funds will be communicated. The request shall be forwarded to the Fiscal Authority by August 31st.

B. The ~~Legislative Council considering recommendation from Board of Finance~~Town's Fiscal Authority may authorize deposits into the Non-Lapsing Account~~Fund~~ in each fiscal year such that the total amount in the Non-Lapsing Account~~Fund~~ may accumulate without limitation over time if not expended. Upon receipt of the request from the Board of Education, the Fiscal Authority may request recommendations from other boards, commissions, and/or committees as it deems prudent. The Fiscal Authority may approve or deny the preferred designations. Authorization for deposits into the Non-Lapsing Account shall be forwarded to the Town's Finance Director prior to the last business day in September.

Commented [1]: The policies use "Account."

Commented [2]: At this time, the current CRC is reviewing what to do with the BoF and processes that include the BoF. This works regardless of how they decide. It also more closely follows the intent of the statute.

Commented [3]: From what I learned during my stint in the CRC, this language basically is used to keep things up to date with any future changes to the statute.

Commented [4]: Does it make sense to have this date and the date to forward to the fiscal authority be the same??

Commented [5]: I'm trying to incorporate the substance from the "Adding Funds to the Non-Lapsing Educational Account" section of policy 3160.

Commented [6]: This is a general way of bringing in the BoF in a manner that is agnostic to what the CRC recommends, and is similar to how current special appropriations work, see section 6-35 of the Newtown Charter.

Commented [7]: To prepare for this work, I asked a follow-up question to Bob and Tanja. Basically they have until the end of September to fully close the books, according to Bob. He also said that he would have everything else done, so suggested that last day delivery was ok.

Section 3. Use of Funds

A. The Board of Education may authorize the use of designated funds at any time for the purpose specified. For undesignated funds, the Board shall obtain ~~, subject to~~ the approval of the ~~Legislative Council considering recommendation from Board of Finance,~~Town's Fiscal Authority. In all cases, ~~authorize~~ expenditures from the Non-Lapsing Account~~Fund~~ shall be for any of the following educational purposes:

Original:
i. Any Capital expenditures which have been previously approved in the five year Capital Improvement Plan;

ii. Emergency conditions or replacements to capital items not previously included in the five year Capital Improvement Plan;

iii. Special Education expenses in accordance with the March 20, 2018 Board of Education resolution establishing a Special Education Contingency line item; and

iv. Any expenses that the Board of Education determines are necessary to support students or that are in the best interests of the Newtown Public Schools.

Deb: (Slight reorder)
i. Services and repairs needed as a result of emergency conditions.

ii. Capital items ineligible for, or not previously included in, the five year Capital Improvement Plan;

ii. Any Capital expenditures which have been previously approved in the five year Capital Improvement Plan; *(same)*

iii. Special Education expenses for unforeseen Special Education expenses that may result from students moving into the district, from court placements, or from mediated settlements *(same as Ned)*, and

iv. Any expenses that the Board of Education determines are necessary to support students or that are in the best interests of the Newtown Public Schools. *(same)*

Ned: (from the doc sent on June 24, with changes accepted)

i. Emergency conditions or replacements ~~to~~;*(remove prior text??)* Extraordinary or emergency expenditures which may be necessary but not otherwise budgeted and are not expected to be reimbursed;

ii. Full or partial funding of a Capital Asset Project which is approved for Year One in the Capital Improvement Plan; and

Commented [8]: This follows the practice done for the Capital Non Recurring.

Commented [9]: Pulling this out fixes the misinterpretations. I've also moved it first because it is (I think) what we expect to see most.

Commented [10]: This calls out that items less than $200,000 can also be funded via Non-Lapsing.

Commented [11]: I've removed repairs, as there may be times when new items are needed that could be funded from the account. For example, the account could be used to supplement money for Capital Non Recurring items.

iii. Emergency conditions or replacements to capital items not previously included in the five year Capital Improvement Plan; *(same)*

iv. Special Education expenses for unforeseen Special Education expenses that may result from students moving into the district, from court placements, or from mediated settlements; *(same, though text directly from resolution used)*

(original item iv. removed)

B. The Board of Education shall authorize each expenditure from the Non-Lapsing Account~~Fund~~. If designated funds are no longer needed for the specified purpose, the Board may remove the designation from any remaining funds, and shall inform the Fiscal Authority of the change.

C. The Board of Education shall submit a summary of the Non-Lapsing Account~~Fund~~'s balance and expenditures for the prior fiscal year to the ~~Board of Finance and Legislative Council~~Fiscal Authority on an annual basis.

Commented [12]: This is from the "Removing Funds from the Non-Lapsing Educational Account" section of policy 3160.

Section 4. Use Restrictions~~Educational Purposes~~
The Non-Lapsing Account~~Fund~~ balance comes from an appropriation that was approved by the voters of the Town for educational purposes and the Board of Education shall use the Non-Lapsing Account~~Fund~~ for educational purposes. The Board of Education shall not consider the Non-Lapsing Fund as a source of funding which may be used to reduce the annual appropriation for education by the Town.

Approved by Board of Education:
_____

Adopted by Board of Finance:
_____

Approved by Legislative Council:
_____