

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

MINUTES

Thursday, June 3, 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, Debbie Leidlein and John Madzula II

Also Present, Bob Tait and Tanja Vadas

Chair Ned Simpson called the meeting to order at 7:32 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. 2 in favor, 5 opposed and motion failed.

Ned S explained and apologized that there is not a recording of the May 24, 2021 meeting. On a previous occasion when there was no recording, he discussed meeting recordings with Chris E and others. The conclusion was that recordings for sub committees and work groups are not required.

Dan Delia asked that under 3.ii page 2 the phrase “can exceed \$100,000.” be changed to “several \$100,000.” No other corrections. The minutes were considered accurate with regards to what was said, but incomplete

Debbie L started a discussion that the minutes are missing key things that were said about the process and negative comments about the BOE. Conversations were not being accurately depicted in the minutes. Specifically reference to the BOE Chair and Superintendent not being forthcoming about information, and the assertion about money being “hid under a mattress.”

Ned S described how he sends his draft minutes of this Work Groups to Vice Chair Deb Z for her review and edit. Deb Z confirmed and gave some examples of statements she had challenged which were either not included or re written in the posted minutes. She also talked about not knowing what to do about the discussions Debbie L is referring to, but decided it was not directly substantive to the work we are doing. Debbie L disagreed that it is not substantive to our work because it is not reflecting collaboration. That she feels the BOE was accused of being disingenuous in how Non-Lapsing is handled. She is frustrated that one person’s views are completely driving the way this Work Group is discussing this policy. And the way the Work Group is being pushed into a specific direction. She is suspicious about the absence of a recording.

Chris E indicated that LC has had discussions of what minutes do or should reflect many times. Because FOIA requires that minutes be posted promptly (perhaps 48 hours) challenges can arise. But even if the posted minutes are not approved, it doesn’t change anything. The way to proceed is to vote No if you don’t feel the minutes reflect the discussions. This discussion should be recorded in this meeting’s minutes.

TOWN OF NEWTOWN

Board of Finance:

Joint Board of Education, Board of Finance & Legislative Council Work Group

Deb Z stated that she was disappointed in the conversation but was not sure what should be added to the minutes. She also agrees that things appear to be rail roaded. She is confident that the Work Group will make sure that what is produced is something that all parties will agree to, feel is good work, and is a valuable contribution to the way we do things.

Cathy R asked if there was something Debbie L wants to add to the minutes. She declined, repeating concerns about the minutes and frustration over the Work Group process.

Dan D stated he completely supports Debbie L and Deb Z and his notes from the meeting indicate that it was said the BOE Chair and Superintendent intentionally withheld information.

Apology was offered.

COMMUNICATIONS

Email June 4 from Dr. Ku, BOE Chair to the Non-Lapsing Work Group, LC Chair, BoF Chair, copied to Superintendent and First Selectman that included a question for the Work Group. In part it raised the question:

At the last Board of Education meeting (6/1/2021), the question about the Joint Non-Lapsing Workgroup's timeline arose. Would the group have a recommendation for the Non-Lapsing Fund, and would the respective boards be able to act on the recommendation before August (when the BOE would make a request for deposit into the account)?

Ned S asked for a motion to add discussion of Dr Ku's question to the agenda.

Deb Zukowski moved "Add To The Agenda, After Discussion With Bob Tait And Tanja Vadas, For A Recommendation To The Board Of Education For Discussion About A Method To Address Recent Issue Of Fiscal Authority In Its Current Policies And Regulation Relating To The Non-Lapsing Fund." Dan Delia Seconded. Motion Withdrawn

- Chris E: commented on what Roberts' Rules/FIOA require related to adding an agenda item
- Debbie L Expressed confusion about what is being asked stating that it seems like this was contrived ahead of time. Deborah L went on to state her feeling that the BOE has an established policy and with a minor tweak, can be in line with what the Charter and Statute that says Legislative Council, so why rush this process to take action tonight?
- N Simpson, noting the need for timely response to Dr Ku, suggested narrowing the scope of the motion. Deb Z offered alternative wording. Dan D declined to second either the withdrawal or the new motion.
- Cathy R questioned whether we need a separate motion. Given the noticed agenda item of "Discussion" Chris E was not sure if a motion to add to the agenda was needed. Dan D indicated that we have kept Bob T and Tanja V waiting a long time and we should move on. Cathy R moved to table this discussion until after. Bob T and Tanja V. Deb Z seconded. Deborah L indicated that adding to the agenda can only be done at the beginning of a meeting. Deb Z withdrew her motions.

NEW BUSINESS: - None

OLD BUSINESS:

- Discussion: Policy related to a Newtown Non-Lapsing Educational Fund
 - Municipal Accounting

TOWN OF NEWTOWN

Board of Finance:

Joint Board of Education, Board of Finance & Legislative Council Work Group

Bob Tait, Finance Director and Tanja Vadas, Director of Business & Finance, joined to answer questions about accounting and funds that may be related to Non-Lapsing Education Fund.

- Q: What types of revenue of into General Fund (GF) and how do funds leave?
A: Bob T provided an overview. General Fund is the major operating fund of a municipality. Items not included in the GF include grants, which are Special Revenue Fund, Trust Funds such as pensions, Agency Funds for student activity. Types of revenue going into GF include property taxes, intergovernmental funds, which are typically funds from the State, charges for services such as building permits, and interest on investments,
- Q: What is the role of Capital and Non-Recurring(C&NR)?
A: A funding mechanism relating to capital projects or major expenses that are not reoccurring year to year. Desire is to put money away each year for pay-as-you-go funding to pay cash rather than borrowing. Also for major expenses such as saving over five years to fund the property revaluation consultant rather than having a large amount in one of five years.
- Q: Following-up on Capital and Non-Recurring, what are the practices to get project funded? How is the money appropriated and once appropriated, and how does it get used?
A: Bob T indicted that it is difficult to get money into the C&NR. Most typically it comes from the budget via a line item called “Transfer to Capital Non Recurring”. Typically when money goes in it is designated for a use. Example a \$800,000 piece of fire equipment. Every year for four years \$200,00 budgeted to Capital Non Recurring fund. It is not always an easy decision to put money in C&NR because we are always trying to keep the mill rate down.
There are other opportunities to add funds to C&NR. IF the General Fund Balance is over 12%, money can be moved. If the Bond Forecast Schedule has a decrease in Debt Service the difference can be transferred. Proceeds from sale of town property can also go into C&NR. Such funding gives the opportunity to divert funds from bonding to C&NR. Such opportunities are in the foreseeable future.
- Q: So once money is in Capital Non Recurring, how does it get associated with a particular project?
A: On place is in the CIP process. There is a column for “Other” where funds from Capital Non Recurring could be shown. Other instances from undesignated amounts, during the year the Special Appropriation process can be followed to use funds.
- Q: Once designated what is the process for using the funds? Is an additional appropriation needed?
A: No. Essentially, once it is designated, it is appropriated. Standard purchasing process, a requisition which when approved it is turned into a Purchase Order, and the payment is processed.
- Q: From the school district side what was the process for using the \$400,000 appropriated to Capital Non Recurring last fall for COVID expenses?
A: Process is quite simple. There is a fund set-up in the school district system. Once funds are designated to Capital Non Recurring. Simply enter a requisition against a particular fund. In the case of the \$400,000 for COVID it was actually a budget amendment that increased appropriation from General Funds and an appropriation to Capital Non Recurring so the school district could charge COVID related expenses to that account.
- Q: Can the BOE in their budget, budget a transfer to Capital Non-Recurring?
A: It’s a possibility. The current budget has Transfer to Non-Lapsing line. There would

TOWN OF NEWTOWN

Board of Finance:

Joint Board of Education, Board of Finance & Legislative Council Work Group

need to be a similar structure as “Transfer to Capital Non Recurring”. It could then be budgeted in the BOE budget. It would need to be designated. There is no policy now to do that, but accounting wise it can be done.

In discussion of this question it was confirmed, that the BOE cannot budget money to Transfer to Non-Lapsing, per the attorneys at the May 24, 2020 meeting. Further year end unspent BOE appropriations, not transferred to Non-Lapsing, resort to the General Fund. The BOE cannot designate those funds.

- Q: What is the Excess Cost Grant and how does it work, both budgeting for it and actual funding?
A: Starts around September-October, collect information on out-of-district students to build the budget. Looking at students moving up and graduating. First reconciliation submission to the State is done December 1, based on a large spreadsheet of costs such as tuition, and transportation. State returns their projection for funding. Another reconciliation is done in March. State review provides reimbursement rates. Final comes back to BOE in April. Any adjustments to that are made in September. It is a year-and-a-half process. Variables are number of students and the State’s reimbursement rate. For example this year was budgeted at 70% but the State provided 80%. After audit, funds go into a Special Revenue account specifically for use to offset out-of-district tuition.
- Q: What are some of the higher special ed costs? (No need be exact, just give an idea of financial impact of one or two students)
A: Tanja V has seen worst case where one student cost \$240,000 in out-of-district tuition. And cases as low as \$30,000. Average about \$100,000 to \$110,000. In addition, there are transportation costs, \$30,000 and if they have an aid another \$10,000 to \$15,000.
- Q: what is the year-end financial closing schedule for school and municipal accounts?
A: School stays open until mid-August. Bob and Tanja coordinate to close at about the same time.
- Q: The BOE Policy 3160 for Adding Funds to the Non-Lapsing Education Account identifies August 31 as the date by which transfer requests should be sent. How does this fit with a mid-August close?
A: Tanja V indicated that the letters to the BoF requesting transfers are dated around the end of August. Bob T indicated that the later in August the better and the August 31 is a good date. It is a balancing between staying open for final adjustments from the Auditors that may impact the unspent amount and what needs to be done closing the books and getting out the financial statements.
- Q: If there is an emergency in June or late May, what are the funding buffers to pay costs and account for the costs? For example, a natural emergency covered by our CIRMA insurance, the reimbursement would not be received until the following fiscal year.
A: The town would get together and make something happen and when insurance payment comes in it would replenish the funding source. Of course, there is the LC appropriation cap relative to the Grand List. This can create problems and perhaps the limit will be addressed in the upcoming Charter Revision. This has never happened, but if it should the likely approach would be to reverse some earlier appropriations.

This discussion brought up that the Non-Lapsing transfer would not be reversed. It was clarified that money is not “deposited” into funds, it is just an appropriation. For Non-

TOWN OF NEWTOWN

Board of Finance:

Joint Board of Education, Board of Finance & Legislative Council Work Group

Lapsing, it is a transfer within the budget, not a special appropriation. So it is not part of the cap.

Tanja V brought up that if the school district had an emergency in June and there were no other surplus, the Non-Lapsing Fund would be used. It's a perfect example of the original intent for the use of this fund.

- Q: If an emergency came up and you had no money in a Non-Lapsing account how would you go about getting the money that you needed?

A; Tanja V responded, she would phone Mr. Tait. She has not experienced such a situation. Bob T complimented the school district for doing a good job of handling things within their budget and for his 13 years has not seen such a problem. More than 13 years ago Reed School had a major oil spill. It was insured, but the town must have covered the cash flow.

- Q: Following on the Reed School example, when insurance pays a claim what fund does it go into?

A; If it is a quick process (CIRMA has been a prompt payer) an Insurance Recovery Fund would be established to take in funds and pay out repairs and recovery. It would probably be on the municipal general ledger, but could only be used to fix the problem. Tanja indicated experience with a process like this and it was quite simple. If it is a long process, and a special appropriation was used, the funds would go back to where funds were taken to do the special appropriation.

- Response to Dr Ku's Question

- Chair asked for discussion to respond to Dr Ku's request.
- Cathy R indicated that she spoke today with LC Chair Lundquist regarding what, from LC perspective, needs to take place for a transfer decision before Aug 31? She then described a LC process for policies of: Attorney review of whatever this Work Group comes up with. Then it would go to the full LC which would send it to LC Finance Committee for review. It would then go back to the full LC for approval. Given this process, the Work Group would have to complete its work tonight to meet the August timeframe. Referring to the circulated draft policy (Attachment A) if it can be reviewed and approved tonight it may be possible. Otherwise an August 31 deadline could not be met.
- Ned S referenced discussion at previous meeting addressing What if the Work Group does not produce anything. At that time it was stated that the BOE would resort back to its current set of policies.
- Dan Dalia stated that the BOE has a policy process that will take some time. It will not work if the Work Group does not produce something until August. He poised that the BOE could make a minor change to its policy to get through this year-end.
- The Chair asked if the three BOE representatives have enough information to respond to Dr Ku's question. Deb Z stated that the only problem is the reference to Board of Finance rather than Fiscal Authority or Legislative Council. Letting the BOE make these potentially temporary updates is the easiest course.
- Cathy R returned to the question if anyone thinks we could finish the policy tonight? She briefly talked through the draft suggesting completion may be possible. Deb Z identified three issues: 1) some provisions absent from the draft, such as the timing considerations currently in BOE Policy 3160. 2) there is a question of redundancy referring to a question

TOWN OF NEWTOWN

Board of Finance:

Joint Board of Education, Board of Finance & Legislative Council Work Group

out to the Charter Review Commission related to the budget. A process of BoF, LC Finance Comm then LC has too much duplication. 3) the end of August is set-up time for the new school year so school administrators should not have to do duplicative work. She concluded that there are too many questions on the table to complete tonight other than blindly rushing it.

- Chris Eide indicated that this is not a “building on fire kind of problem” The BoF is an elected body that is there for a reason. The only obstacle to year-end handling Non-Lapsing is the BOE policy as writer. BOE could suspend their policy and get the year end transfer tout suite. Cathy R stating that it is only the BOE that has policy and asking Chris E to elaborate on his thoughts. He summarized that the BOE has all they need and can process within the year-end timeframe.
- Chair asked if the sentiment of the group was to answer Dr Ku’s question with a No. Chris E thought we could try to complete tonight. Further stating that the WG is by no means to final step and that we will all get many opportunities to see the policy again and give feedback. We might get done, but tonight’s meeting was not noticed for action.
- Debbie L noting that the draft was circulated yesterday, she had not had the time to appropriately review. She also questions why reinvent the wheel when at last meeting she didn’t hear any real objection to what was in the Regulation with the exception of a few tweaks. Cathy R pointed out that the document we have is the BOE regulation with a few tweaks.
- Debbie L went on to state agreement that the house is not on fire and she is not in favor of spending more time on this tonight. John M agreed with Debbie L. Come back when fresher not invoking discussion tonight.
- Chris E commented on Work Group process for the next two meetings, which are only two days apart: Notice for action at next meeting and give advance notice to the attorneys that a policy may be produced next meeting and will need quick(one day) turn around for the July meeting?
- Ned S pointed out that there are points missing in the Regulation that are contained in BOE Policy 3160 that should be seriously considered for inclusion. Cathy R suggested that those things are already in BOE policy and not need inclusion in the Work Group’s product. Ned S stated his understanding from the meeting with the attorneys that the WG should produce a single policy to be approved by the 3, 4 or 2 effected bodies. As such the Work Group product should be self-contained. For example, in making the draft he remove reference to a March 2018 BOE Resolution and include the substance from that Resolution into the draft for the Work Group. Pulling everything into a common policy will be a heavy lift. Next meeting everyone should come with changes additions or subtractions.
- Deb Z wanted to talk about one policy issue –the chain to request deposit into Non-Lapsing. She feels there are three options: 1) BOE request to BoF which decides to say no or passes recommendation to LC, 2) mimic Special Appropriation process – BOE goes to LC and LC decides if they want BoF recommendation and 3) from BoE goes to LC. Debbie L interjected that she thought we were deciding whether or not to discuss content tonight.
- Dan D agreeing with John M and Debbie L, time to end the meeting and come back next meeting prepared. Cathy R agreed it is time to end tonight but asked Ned S to communicate with Attorneys to hold time to review any document that may come out of

TOWN OF NEWTOWN

Board of Finance:

Joint Board of Education, Board of Finance & Legislative Council Work Group

the next meeting. She also reminded the Work Group that the Charter Review Commission may throw a wrench in all this.

- Chair asked for a summary of the answer to Dr Ku's question. Prompted for a repeat of the question John M stated Do we believe that we will have something in place ready to go where the BOE could be well informed knowing that the policy had made it all around by their August timeframe. Debbie L wanted to add "Or would it be ok for the BOE to amend their current policy to reflect the fiscal authority as opposed to the BoF for the current year. Ned S pointed that Dr Ku's had not included that aspect in her email. Cathy R read Dr Ku's email confirming the only question related to completion by August. BOE Representatives will brief BOE on this discussion.

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

ANNOUNCEMENTS - None

ADJOURNMENT

Deb Zukowski made a motion to adjourn. Cathy Reiss seconded. All members were in favor and the meeting was adjourned at 9:25 pm.

Respectfully submitted,

Ned Simpson, Chair

TOWN OF NEWTOWN

Board of Finance:

Joint Board of Education, Board of Finance & Legislative Council Work Group

Attachment A

Newtown Non-Lapsing Education Fund

Section 1. Preamble

The Board of Finance of the Town of Newtown established a Non-Lapsing Fund (the “Non-Lapsing Fund”) in accordance with Connecticut General Statutes 10-248a¹ on May 12, 2014.

¹Sec. 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

The Board of Education may, subject to the approval of the Legislative Council considering recommendation from Board of Finance, deposit into the Non-Lapsing 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 Fund shall not exceed the amount set forth in Section 10-248a of the Connecticut General Statutes.

The Legislative Council considering recommendation from Board of Finance may authorize deposits into the Non-Lapsing Fund in each fiscal year such that the total amount in the Non-Lapsing Fund may accumulate without limitation over time if not expended.

Section 3. Use of Funds

A. The Board of Education may, subject to the approval of the Legislative Council considering recommendation from Board of Finance, authorize expenditures from the Non-Lapsing Fund for any of the following educational purposes:

~~i. Emergency conditions or replacements to capital items not previously included in the five year Capital Improvement Plan; Extraordinary or emergency expenditures which may be necessary but not otherwise budgeted and are not expected to be reimbursed;~~

~~ii. Any Full or partial funding of a Capital Asset Project expenditures which have been previously is approved in the five for year Year One in the Capital Improvement Plan; and~~

~~iii. 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 for unforeseen Special Education expenses that may result from students moving into the district, from court placements, or from mediated settlements; 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.~~

B. The Board of Education shall authorize each expenditure from the Non-Lapsing Fund.

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

TOWN OF NEWTOWN

Board of Finance:

Joint Board of Education, Board of Finance & Legislative Council Work Group

Section 4. Educational Purposes

The Non-Lapsing 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 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: _____