

TOWN OF STONINGTON
BOARD OF FINANCE SPECIAL MEETING
Budget Deliberations
Stonington Town Hall Conference Room
Virtual Meeting
Wednesday, April 29, 2020
4:00 PM

A special meeting of the Board of Finance was held on this date in the Stonington Town Hall Conference Room. Due to Covid-19 concerns, the meeting was streamed live on the Town of Stonington's Facebook page. A dial in number was provided for audible access to the meeting for those without internet access.

Chairman Tim O'Brien called the meeting to order at 5:05 pm.

With all Board of Finance members connecting remotely, Chairman O'Brien performed a roll call of the Board of Finance members.

Mr. Glenn Frishman - connected remotely
Mr. Mike Fauerbach - connected remotely
Ms. Lynn Young - connected remotely
Ms. Deb Norman - connected remotely
Mr. Bob Statchen - connected remotely
Mr. Dave Motherway - connected remotely

Also connecting remotely, Mr. James Sullivan, Director of Finance and First Selectman Danielle Chesebrough.

New Business:

Ms. Linda Camelio, Stonington Tax Collector had provided the Board members with the Suspense List for 2020. The Suspense List is uncollected taxes determined to be uncollectible by the usual methods of collection. The Tax Collector submitted the following uncollected taxes for transfer to the suspense tax book.

- Personal Property - \$14,177.19
- Motor Vehicle Supplement - \$5,942.08
- Motor Vehicle - \$27,100.02
- Real Estate - \$44,882.98
- Total - \$92,102.27

Ms. Lynn Young made a motion to approve the suspense listing, Mr. Glenn Frishman seconded. All members in favor. **Motion carried.**

Board of Education Finance Director Gary Shettle submitted a request to purchase a fuel contract for FY20/21 and FY21/22. Finance Director Jim Sullivan relayed to the Board of Finance that two bidders, East River Energy and Dime Oil had just submitted bids as follows.

East River Energy was low bidder for FY20/21 for

- #2 Heating Oil \$1.13 gallon
- Diesel Fuel \$1.15 gallon
- Unleaded Gasoline \$1.11 gallon

Dime Oil Company was low bidder for FY21/22 for

- #2 Heating Oil \$1.67 gallon
- Diesel Fuel \$1.63 gallon

East River Energy was low bidder for FY21/22 for

- Unleaded Gasoline \$1.62 gallon

Mr. Mike Fauerbach motioned to approve a bid waiver to select East River Energy to be the #2 Heating Oil and Diesel fuel supplier for FY20/21 based on their low bid, and Dime Oil to be the supplier for FY21/22 for #2 Heating Oil and Diesel fuel for their low bid and East River Energy to be the supplier for Unleaded Gasoline for FY20/21 and FY21/22. Ms. Deb Norman seconded. All in favor. Motion carried.

BUDGET DELIBERATIONS:

Chairman O'Brien opened the floor to any Board of Finance member who wished to make any comments before the deliberations.

Mr. Glenn Frishman suggested that in light of the unprecedented situation, the Board should strongly consider that all spending that can be frozen at current level for both the Board of Ed and General Government be done and looking at next year realize a serious reduction in the Board of Ed budget. Mr. Frishman stated it is his opinion that neither the State of CT nor the Federal Government will be in the position to help the Town of Stonington. Mr. Frishman also noted that the State had already stated they will diminish the Education Cost Sharing (ECS) for the Town over the next 10 years and feels that will now be on an accelerated schedule.

Mr. Mike Fauerbach thanked the members of the public that submitted comments to the Board during the previous meeting, stating the comments were tremendously helpful giving direct input and additional perspectives. Mr. Fauerbach noted the difficult, challenging times and the limitations and impacts placed on the budget.

Mr. Bob Statchen agreed that these are difficult times and noted that the Town and Board of Ed have been working collaboratively and heading in the right direction as part of these discussions. Mr. Statchen stated he feels Stonington is an example of people working together and collaborating through a difficult time and looked forward to continuing that work.

Mr. Dave Motherway noted that the area major employers are being impacted very hard which in turn will impact the Town and the Town's ability to financially support even the current budget. Mr. Motherway agreed with Mr. Frishman's assessment that freezing spending at current levels was necessary and warranted.

The Board made the following changes to the proposed budget:

First Selectman's Budget

- Line #35 - Pawcatuck River Harbor Mgmt Clerical Services reduced by \$990 bringing the total to zero.
- Line #52 - Committee to Study Needs and Use of Town Buildings reduced by

\$1,400 bringing the total to \$1,000

Department of Public Works

- Line #3 - Regular Salaries reduced by \$91,478, the amount calculated for two new laborers bringing the total to \$1,275,670. Finance Director Jim Sullivan notes that this will also reduce the FICA and 401a requirements.
- Line #44 - Annual Fertilization Program reduced by \$22,000 bringing the total to \$20,000
- Line #45 - Seasonal Help reduced by \$700 bringing the total to \$36,000
- Line #46 - Materials, Equipment reduced by \$35,100 bringing the total to \$42,000
- Line #47 - Field Work reduced by \$20,600 bringing the total to \$15,000

Department of Administrative Services

- Line #46 - Human Resources-Pension Plan Defined Contribution 401A reduced by \$4,574 due to Public Works salary reduction bringing the total to \$130,436.
- Line #47 - Social Security - reduced by \$6,998 due to Public Works salary reduction bringing the total to 561,002.

Department of Police Services

- Line #5 - Salary of Regular Offices reduced by \$50,000 due to an officer's deployment, bringing the total to \$2,344,320

Department of Human Services

- Line #17 - General Assistance was increased by \$20,000 bringing the total to \$50,000. Human Services Director Leanne Theodore, connecting remotely, spoke about the needs of the community during these unprecedented times and feels that the amount proposed in addition to working collaboratively with non-profits that also provide financial assistance is a safe start.

Capital Improvement:

Public Works Highway

- Line #24 - Highway Equipment - Purchases reduced by \$82,000, the amount calculated for new mower and van, bringing the total to \$57,000
- Line #39 - Pawcatuck Pumphouse Repair reduced to \$1.00
- Line #36 - North Stonington Road Bridge reduced to \$1.00

Human Services

- Line #77 - Tennis Court Rebuild - Increase by \$65,000 bringing the total to \$215,000.

Police Services

- Line #17 - Animal Control Vehicle increase to \$35,000

Outside Services

- Line #64 - First Selectman Chesebrough requested the Stanton Davis Homestead allocation at \$3,000 enabling a \$1 for \$1 match to be realized for the non-profit. Mr. Frishman and Ms. Young mentioned concerns with funding the request.

Board of Education

- Line #158 - District Wide Security Cameras was reduced to \$1.00
- Line #181 - District Floor Repair was reduced to \$1.00
- Line #191 - High School Gym Upgrade was reduced to \$1.00
- Line #195 - Middle School Science Room Upgrade was reduced to \$1.00
- Line #188 - Kitchen Equipment Upgrade was funded at \$52,000

Mr. Fauerbach inquired if the Board would like to open a discussion regarding the Board of Ed budget Education Cost Sharing. Ms. Young concurred and noted that in the past the Board of Finance has created line items as protection against anticipated shortcomings. Mr. Statchen asked for clarification. Chairman O'Brien informed the newer board members that previously the Board had used funds from the designated fund balance, at a time when the fund balance level was much higher, and created a line item placeholder in case the ECS payment was not received from the State. The reserved funds could be used to help mitigate the shortfall. When the ECS was restored, the reserve funds were returned to the undesignated fund balance. It was Chairman O'Brien's opinion that the Town does not have the luxury of using undesignated fund balance this year as the Town is in the middle of an emergency that the full financial impact has not been realized.

Ms. Young asked Board of Ed members to make their own assessment of what the State's ability to pay the ECS will be, and budget accordingly and save as much money as possible this year, adding funds could be set into a different line item to assist the Board of Ed next year should the ECS not be funded.

Board of Ed Chairwoman Alexa Garvey, connecting remotely, informed the Board of Finance members that a guaranteed \$350,000 would be returned this fiscal year to the Town to assist with cash flow and they are looking at giving back more.

Ms. Young commented that the intention is not to just cut funds from the Board of Ed budget, but to take those funds and offset any catastrophic budget adjustments coming out of Hartford next year or the year after. As a suggestion, the funds could be put into a new line item and designated as COVID-19.

Ms. Young stated she would like to create the new line item for \$500,000 funded by the reductions in the Board of Ed budget. If the schools do not receive the anticipated ECS funding, and there's no other unforeseen catastrophes in Town that could actually be worse than not funding education, the funds would be available to protect cash flow to make payments to teachers, administrators, and everyone else. Ms. Young added she hoped for a situation where it becomes financially stable enough to return the funds to the Board of Ed.

Chairwoman Garvey acknowledged that the \$350,000 the Board of Ed guaranteed to be returned to the Town could help the Town with cash flow, but disagreed with any further cuts to the BOE budget, noting that if a situation during the year changes, the BOE will make cuts and adjustments to address those changes.

Mr. Statchen inquired to Ms. Young if she was suggesting writing off the \$1 million of the ECS funding and not budgeting for it. Ms. Young noted the Board of Finance has control of only the total amount in the Board of Ed budget. Mr. Statchen further inquired should the \$350,000 be reduced from the BOE budget, would the Town in fact lose the ECS funding, adding from a cash flow planning predictability, it seemed counterintuitive. Mr. Fauerbach commented on Mr. Statchen's statements, which was suggesting that the proposal was potentially not following rules set by the State and thus putting any ECS funding in jeopardy.

Ms. Young stated that everyone would have to decide for themselves what their risk tolerance was, noting that a minor amount of adjustment to a substantial school budget relative to the entire Town budget, for the school's benefit, would lower the risks involved with an ECS cut. If the ECS is cut the Board of Ed will have to make that loss of funds up and this proposal would assist in smoothing the cash flow.

Chairman O'Brien added that in the past conversation coming out of Hartford implied there would be a change in the ECS number that Stonington received. The problem is that figure is unknown until well after the budget is set. It was the Chairman's opinion that nothing on the table being discussed would jeopardize any funding as no one knows what the state is going to do with the ECS. With the shortfalls the State currently has, Chairman O'Brien said this proposal is looking at risk and accounting for that risk and budgeting around it. Mr. Frishman concurred.

Mr. Fauerbach mentioned that last year, while working through this process, the First Selectman received a letter of intent and that was it. However, Mr. Fauerbach questioned if that same number held for this year as well or had the First Selectman already been notified of a \$115,000 reduction in ECS funding?

Chairman O'Brien noted the \$115,000 in discussion is based on the ECS reduction formula the State provided last year in the Governor's Proposed Budget. Noting that the house has not been in chambers as COVID-19 concerns have taken priority, the Town has received no information whether the \$115,000 is an accurate figure or will it be more.

Ms. Young added that it was the State of CT's intention to reduce the Educational Cost Sharing to Stonington from \$1 million to \$250,000 over the course of 10 years and that was prior to the current circumstances involving COVID-19.

Mr. Statchen stated the estimate payment to Stonington, based on the State budget, is \$1.073 million for next fiscal year. Acknowledging things could surely change, Mr. Statchen noted it is the budgeted amount under the State budget.

Chairman O'Brien said the proposal on the table is more for what if the State comes back and says we know we were going to reduce the ECS funding over 10 years but we have to accelerate that as the State does not have the money.

Mr. Statchen asked for clarification from Ms. Young on what her assessment and recommendation was with regards to a figure. Ms. Young noted that she would like to see \$500,000 put aside and should the Board of Ed not receive the ECS funding they can come back to the Board of Finance and request a line item transfer for the funds.

Mr. Statchen questioned whether this proposed newly funded line item would be in the Board of Ed operating budget and it was answered it would not, it would be in the Board of Finance budget.

Mr. Frishman stated his support of the proposal, noting he felt it was very prudent to take \$500,000 out of the proposed Board of Ed operating and simultaneously set up a COVID-19 contingency and add in the return from the current operating budget. This fund could be drawn upon when needed. Mr. Frishman feels the State is in tough times and reminded the Board members that previously the reduction in ECS funding was suggested to take place over 4 years which ultimately turned into 10 years but that was pre-COVID.

Mr. Motherway in support of Ms. Young's proposal stated the proposal made fiscal sense, and inquired if there were other parts of the budget where this sort of insurance could apply. Mr. Motherway was in favor of setting unused funds aside as a contingency.

Chairman O'Brien noted that the Board of Ed budget is unique as the Board of Finance has no line item transfer control of the BOE budget, whereas the Board of Finance can control line item transfers for all of the Town budget. Once the budget is provided to the Board of Ed, the bottom line cannot be changed.

Mr. Fauerbach inquired to Ms. Young if her proposal of the new COVID-19 line item is funded at \$500,000 and for discussion sake the ECS is fully funded at the same level as the current fiscal year, would the full \$500,000 be restored to the Board of Ed? Ms. Young stated that was her intention, without a guarantee, because if no one has a job and the Town isn't collecting tax receipts, the burden will have to be shared by all. Ms. Young clarified it is not her intent to hurt the Board of Ed but help them in case this happens.

Mr. Frishman, noting that a lot of comments were heard regarding the proposal, asked Chairman O'Brien to poll the Board members to get a sense of where the proposal stands. The Chairman agreed and asked each member for their comment.

Mr. Frishman stated it was his opinion that the Board should create a COVID-19 contingency and that line to be funded out of the returns of the Board of Ed, from their current fiscal year and reduce the budget of the coming year for \$500,000. Noting he feels the State is in a dire financial state, Mr. Frishman stated that prudence should carry the day.

Mr. Fauerbach expressed his concern on what guidance the Board of Finance was giving the Board of Ed asking them to take out another half a million dollars from their budget. Stating there were certainly implications from a planning perspective that made him uneasy, Mr. Fauerbach questioned what this would mean in terms of programming next year and asked Ms. Young what guidance would actually be given to the Board of Ed?

Ms. Young responded that she was trying to incentivize behavior and mitigate a potential problem and look into the future. She would like to make this line item for \$500,000 by reducing the Board of Ed budget, which will help keep the mill rate flat, and keep it in the budget as an even swap. Ms. Young added should the Board of Ed not get the ECS funding by that amount, and there's no other unforeseen catastrophes in the Town that could be worse than not funding

education at \$38 million, then the Town has the ability going forward to have funds to protect cash flow. It is Ms. Young's hope that things are good enough to give the funds back, but she cautioned that the Board of Ed should plan for the fact they may not get the ECS. Noting that just because in the last budget, Pre-Corona, the Governor stated they were only taking \$115,000 you just can't plan that is a certainty.

Mr. Fauerbach inquired if a Board of Ed representative was connected remotely and if they could weigh in on the discussion.

Board of Ed Chairman Alexa Garvey joined the conversation by noting that the Board of Ed is giving \$350,000 to help the Town with cash flow, and asking for an additional cut of \$500,000 is significant and will result in cuts in staffing. Ms. Garvey suggested the \$350,000 and any additional funds able to be returned can be put in a fund to be used for the Town but keep the Board of Ed budget as is. Ms. Garvey proposed the possibility of \$400,000 being returned and should the ECS funding be cut, that the Board of Ed will find the cuts and adjustments as needed.

Ms. Young stated that cuts in staffing wouldn't happen on day one and should things go alright the funds would be returned and there would be no talks of cuts. Should the ECS funding not occur and no funding set aside for that scenario, the Board of Ed would be looking at cutting teachers six months into the school year.

Ms. Norman asked for clarification whether Chairman Garvey stated the Board of Ed was anticipating not receiving the ECS funding and would have funding available to cover the shortfall. Chairman Garvey stated that was not the case.

Chairman O'Brien summarized the options, take the funds out now and have a self funded insurance program in effect or let it ride and see what the state comes back with, all knowing that a shortfall will not be funded by the Town as the Town does not have the undesignated fund balance the way the it has in the past.

Ms. Norman inquired as to last years timeframe for receiving the ECS. Chairman O'Brien commented that he felt it was July of last year, but two years ago it wasn't until very late in the year.

Chairman O'Brien continued polling the Board members on their position of the proposal.

Mr. Fauerbach stated it was his choice to flatline the BOE budget minus the last known communication of \$115,000. His suggestion is \$37,901,100 minus the \$115,000 acknowledging his concern on the impact on programming next year.

Ms. Young, added that the \$350,000 already offered by Chairman Garvey would be returned to the Town and stay with the Town.

Ms. Norman expressed her concern that the ECS funding will not be coming.

Mr. Statchen noted that the concerns of the ECS should be contemplated by the Board of Ed and their budgeting process and was in agreement with Mr. Fauerbach's suggestion. Mr. Statchen has concerns with asking the Board of Ed to reduce their budget by \$500,000 and pointed out that this year is a unique budgeting process

with the budget going to the Board of Selectmen who will be making the decision rather than the voters so to go in and make this cut at this point in the budgeting process, he is more comfortable with the approach of a zero mill rate increase.

Mr. Motherway suggested that since the Board of Ed would be returning \$350,000 to the Town, then a zero-based budget should be looked at for next year and the budget next year should be reduced by \$350,000. Mr. Motherway supported Member Young's proposed suggestion of reducing their budget by \$500,000 and putting those funds into a line item as she described.

Ms. Norman asked Chairwoman Garvey if there were funds in addition to the \$350,000 that could be returned to the Town and Chairwoman Garvey said there will be, that there were negotiations taking place for additional monies being returned to the Town to assist the Town with cash flow during the summer months. Chairwoman Garvey explained that they could guarantee the \$350,000 but were certainly looking at more savings due to the schools being on unoccupied mode and negotiations with First Student. Ms. Norman said she supported Member Young's proposal, perhaps not at the full \$500,000, suggesting that the Board of Ed come up with a more concise figure of money being returned to the Town. Adding, but to be clear, the monies being returned by a budget cut are not coming back directly to the Town but placed in a savings for the school or another COVID line, and the Board of Finance is not taking the money, they are putting it away for bad times to come of which she supports.

Chairman O'Brien stated that in news that just came out, in two months, the State has gotten over 350,000 unemployment claims, the equivalent to two years worth of claims in normal times, but these were abnormal times. The Chairman noted that the thinking needs to be that the State isn't going to come with anything but pushing more things down onto the Town that the Town will have to come up with monies for. He concurs with Ms. Young proposal to take \$500,000 from the Board of Ed operating budget as a type of self-insurance and try to move things in a positive direction, to mitigate as much as what the State uncertainty is going to have, adding he would like nothing better than to come back and move that money back into the Board of Education.

Mr. Statchen inquired if this procedure ever been used in the past and Chairman O'Brien stated it had, the only difference being that the procedure used before used undesignated fund balance.

Chairman O'Brien reiterated that the Board of Ed is finding \$350,000 to return to the Town and that number could grow and he hoped it would. That being said, if the ECS gets cut, the Board of Ed will lose people no matter what, that's the reality. However, if the Boards are able to budget around the worst times, and see how this plays out, along with more clarity from the State, it will be easier to do that than it is to try and figure out where the Board of Ed will cut a half million dollars mid-year and he supports Ms. Young's proposal.

Mr. Statchen asked if the \$500,000 were to be moved from the Board of Ed budget and placed in the new line item, the Board has not dealt with the issue of the \$59,000 to bring to a zero mill increase. If that number remains the same it is still at the .02% increase in the mill rate. Chairman O'Brien agreed and the proposal of reducing Line #77 in the Capital Improvement schedule for tennis court rebuild be reduced by the amount needed to get to a zero mill increase was

presented. Members were in agreement to reducing Line #77 to get to a flat mill rate.

Chairman O'Brien asked the members if any further discussion was needed to base their final decisions on the budget, hearing the need for none, Chairman O'Brien asked for a motion to approve a budget

\$23,625,749	General Government
\$37,401,100	Education
\$ 8,082,815	Debt Service
\$ 2,438,631	Capital Improvement
\$71,548,295	Total Budget
Mill Rate 23.36	

Ms. Young made the motion to approve, Ms. Norman seconded.

Chairman O'Brien - In favor

Mr. Frishman - In favor

Mr. Motherway - In favor

Ms. Norman - In favor

Ms. Young - In favor

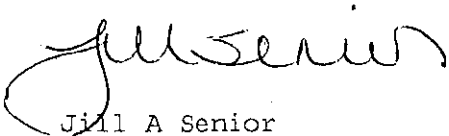
Mr. Fauerbach - Against

Mr. Statchen - Against

All were not in favor, Motion carried.

With no further business Mr. Fauerbach made a motion to adjourn the meeting at 6:35 p.m., Ms. Norman seconded. All members were in favor. Motion carried.

Respectfully submitted,



Jill A Senior
Recording Secretary Board of Finance