

TOWN OF STONINGTON
BOARD OF FINANCE MINUTES
Police Department Meeting Room
Wednesday, October 3, 2018

A regular meeting of the Board of Finance was held on this date in the meeting room of the Stonington Police Department. Members present were Chairwoman June D. Strunk, Secretary Glenn Frishman, Lynn Young, Mike Fauerbach, Blunt White, and Danielle Chesebrough. Tim O'Brien was absent. Also present were James Sullivan, Director of Finance, and Alexa Garvey, Board of Education Chairperson and Stonington High School Civics students.

Ms. Strunk called the meeting to order at 7:15 pm.

Pledge of Allegiance

Comments from the Public - None

Previous Minutes – Mr. Frishman motioned to approve the September 5th minutes, Ms. Young seconded. A few corrections and clarifications were brought to attention and noted. Mr. White would like to see the memo presented from the budget subcommittee posted on the Town website along with the minutes from the meeting. He also thought having the dollar figure noted next to the additional appropriations line would be helpful. Ms. Strunk suggested that at the next meeting additional appropriations be discussed and periodically updated to get a tally of year to date approved. Mr. Sullivan will provide those figures for the next meeting. Based on these corrections and the minutes amended, the September 5th minutes will be approved. Voting was unanimous. **Motion carried.**

New business

Line Item Transfer:

- Mr. Frishman made a motion to approve a request from the Director of Finance to transfer funds totaling \$2,827 from various line items with surpluses to those with deficits for the FY17/18. Ms. Young seconded. Voting was unanimous. **Motion carried.**

Bid Waiver:

- Ms. Strunk asked to add an item to the agenda and Mr. Frishman motioned to add to the agenda a bid waiver for K-12 Building Committee for the purchase of charging stations for the Chromebooks that were purchased for the West Vine and Deans Mill Schools. Ms. Young seconded. These charging systems can hold (16) Chromebooks each and will be purchased by HB Communications, a State contract bidder. The funds are encumbered and will be distributed \$22,127 for

Deans Mill School and \$19,075 for West Vine. There will be (2) charging stations per classroom and the cost includes the charging station and peripherals. Voting was unanimous. **Motion carried.**

Mr. White took a moment to speak to the students that have attended tonight's meeting as part of their Civics Class. He briefly defined what a bid waiver was and what a State contract list is. A question was asked about the process and Mr. White and Ms. Strunk provided more detail.

Mr. Frishman made a motion to approve the Board of Finance calendar for the 2019 calendar year. Ms. Young seconded. There may be some attendance requests or changes for the January meeting but the regular meetings of the Board will take place on the 1st Wednesday of the month, at 7:15PM at the Stonington Police Department Meeting Room. Ms. Strunk signed the schedule and it will be provided to the Town Clerk. **Motion carried.**

Next discussion involved Board of Education administrative and reporting requirements to the Board of Finance. Alexa Garvey, Chair of the Board of Ed was introduced and congratulated on her new appointment. After clearing it with the Town Clerk and confirming that no other Board Members would be present, Ms. Strunk and Ms. Garvey met to discuss the BOE budget, and communication between the Board of Finance and the Board of Ed. During these meetings Ms. Strunk expressed the Board of Finance's concern with how the BOE and Town are funding their respective portions of the shared Healthcare Fund. The Town and BOE are self-insured for healthcare and both the Town and BOE contribute to the Healthcare Fund on an annual basis to fund claims. For a number of years, the Town has been using a third-party consultant to calculate how much money both the Town and BOE should contribute annually into the Health Insurance Fund to pay claims. In 1992 an agreement was signed by the Chairs of the Board of Selectmen, Board of Ed and Board of Finance stating that Town and BOE would calculate their respective annual contributions in the same manner and that contributions would be calculated based on the number of contracts (per capita participants) each entity had rather than on claims. Any change in how the Healthcare Fund is funded can only be done with the agreement by all three Boards.

Healthcare funding concerns arose as the Board of Ed decided to change how it calculates its annual contribution to the Healthcare Fund. The BOE has changed its methodology for calculating its contribution to a claims-based model vs. the number of contracts model used since 1992. These differing methodologies created a disparity in the amount of money that the Town and BOE were contributing to the Health Insurance Fund, which gave rise to the Board of Finance's concern that the Health Insurance Fund may have been underfunded over the last two years. To note the significance of this, the Town's actuary consultant calculated that the Board of Ed's contribution to the healthcare fund should have been approximately \$4.4 million for fiscal 16/17 based on number of

contracts. The Board of Ed consultant, on the other hand, calculated that the BOE's contribution should be \$4.2 million based on claims history. The actual amount contributed to the Healthcare Fund for fiscal 17/18 by the BOE was \$3.8 million. While it was noted that there is a surplus in the fund, Mr. Sullivan pointed out that it's actually a reserve for worst case scenario claims.

Mr. White brought attention to the fact that the budget submitted by the Board of Ed and approved by the Board of Finance and the voters only budgeted in the \$3.8 million when the actuary consulting recommended 4.4 million. The shortfall is not in the budget which caused concern as to how this would be funded, if required.

Ms. Strunk made mention there was talk of splitting the plan into two separate plans, but noted there is a critical mass of participants for a plan to be affordable and the Town is at a minimum. Therefore, with a split neither plan would be cost effective.

Heading forward, further discussion involving both consultants, the Chairs from the Board of Selectmen, Board of Finance and the Board of Ed should be scheduled as early as convenient.

With regards to reporting requirements from the Board of Ed to the Board of Finance, the Town Charter defines the role and responsibility of the Board of Finance. The Board of Finance has the yay or nay over line item transfers for everything done in the Town with the exception of the Board of Ed. The Charter states that while the Board of Finance cannot rule on Board of Ed line item transfers, the Board of Ed shall present any line item transfers to the Board of Finance in the month in which they occur. This aspect of reporting had dropped off the Board of Finance's agenda some time ago. The Board of Finance is currently of the opinion that the BOE should reinstitute this reporting to maintain transparency as to the use of Town funds by the BOE. The Town Attorney is currently reviewing the issue and should provide his opinion shortly. Ms. Strunk suggests the BOE present to the Board of Finance line item transfers on a monthly basis or as they are incurred, to provide transparency as to how the BOE's appropriation is being administered. Ms. Garvey will speak with Gary Shettle about arranging a date where he, Ms. Garvey and Ms. Strunk could meet to further discuss this issue. Mr. White would like to see the totals of BOE line item transfers for FY17/18.

The Budget Subcommittee presented their proposed budget modifications. Ms. Strunk spoke of the Subcommittee's work stating that the budget modification is positive, as it will make the budget more transparent and easier to understand. All agreed that the public would have a clearer picture of the Town's finances. The same modification request will be sent to the Board of Education. Mr. Fauerbach pointed out some of the changes noting that instead of a lot of history on prior budgets, the first few columns of the revised budget are more about the actual amounts expended in those years. Redundant columns would be eliminated allowing additional years adopted budget to actual expended to be shown. This is a work in process and the Subcommittee noted that the First Selectman would need to approve any changes to the format.

Mr. White made a motion to ask the Board of Finance to give the Budget Subcommittee the approval to draft a letter to the First Selectman with its recommendations after their next meeting. The recommendations would be subject to the Chair's approval. Ms. Strunk so moved and Mr. Frishman seconded. The Subcommittee will have something to Mr. Simmons by the end of the month. **Motion carried.**

It was discussed whether the First Selectman, by Charter, can dictate to the Board of Ed what he would like their budget to look like. Mr. Frishman noted that the Board of Finance dictates the format of the budget and as a courtesy has the First Selectman review. The Charter will be checked for the actual verbiage.

Correspondence: None

Liaison Reports – Ms. Chesebrough spoke regarding the SEAT Bus options. Leanne Theodore received an update from a potential 3rd party driver and will be discussing ride sharing options as a possible rate reducer. Mr. Simmons is also in the process of setting up a meeting with a local person who works for SEAT to discuss a potential price difference if route times were to be reduced, perhaps removing the middle of the day time period. Ms. Chesebrough and another Human Services employee rode the bus on this morning to hand out surveys. She spoke with 13 people who used the bus a few times per week, and realized a wide diversity of people utilize the service. The SEAT driver was accommodating and mentioned a door counter that could provide a better count of daily riders. Although it was the lowest used route, he believed on average, 20 people per day use the service. Danielle also informed the Board that riders do pay for the service, \$2 per ride, \$1 for persons with disabilities.

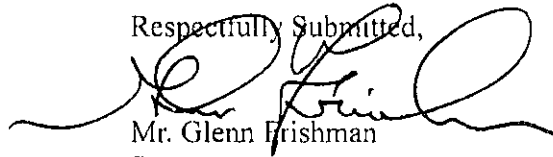
The Library Subcommittee met on September 19th for their organizational meeting. They plan on meeting again on October 10th or 11th.

K-12 Liaison Reports – The Town will be issuing another \$7 million of General Obligation Bonds and a 6.5 million one-year Bond Anticipation Note. There may be a premium when the bonds are issued, Mr. Sullivan notes anywhere between \$200,000 to 1,000,000. The school projects completion date has been extended 9 months due to the PCB issues. The current bond interest costs attributable to the projects are budgeted for in general fund debt service. The State has been issuing reimbursements as the project goes along, 10 million dollars has been reimbursed to the Town to date. Mr. Sullivan commented that the state reimbursement rate was initially budgeted at 24% reimbursement which was the reimbursement rate for the High School Project, but the current State reimbursement rate for these projects is 31.43%. Whereas, 17 million was expected as reimbursement, the Town may see closer to 19 million. A large variable in that figure will be the State's determination of "ineligible costs", which will have an

overall impact on the amount of project costs eligible for reimbursement. In addition, the State will be withholding approximately \$2.5 million at the end of the project, until the project close out audit is completed. Mr. Sullivan remarked that the \$6.5 million short term financing is due to these unknown variables at this time

With no further business to come before the Board, Ms. Young made a motion to adjourn, Mr. Frishman seconded and voting was unanimous. Motion carried. The meeting was adjourned at 9:15 p.m.

Respectfully Submitted,



Mr. Glenn Frishman
Secretary

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