



# TOWN OF LEDYARD

741 Colonel Ledyard  
Highway  
Ledyard, CT 06339-1511

## Legislation Details (With Text)

<b>File #:</b>	23-1179	<b>Version:</b>	1	<b>Name:</b>	
<b>Type:</b>	Financial Business Request (FBR)	<b>Status:</b>		Passed	
<b>File created:</b>	2/7/2023	<b>In control:</b>		Town Council	
<b>On agenda:</b>	2/22/2023	<b>Final action:</b>		2/22/2023	
<b>Title:</b>	MOTION to appropriate and transfer the Board of Education Fiscal Year 2021/2022 audited surplus of \$448,253 from unrestricted fund balance as follows:  · \$381,015 to Account #21070101-58250 (BOE Reserve Fund) in accordance with "Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education" adopted on September 28, 1988; and  · \$67,238 to Account #21070101-58262 (Track & Field Rental Reserve) (15% when surplus exceeds \$250,000) in accordance with "Resolution Regarding The Establishment Of An Account For The Revenues Received From Leasing the Ledyard High School Multi-Use Facility" adopted on April 22, 2020.				
<b>Attachments:</b>	1. 1988-9-28-FUNDING BOE CAPITAL.pdf, 2. 2020-04-22-RES-HIGH SCHOOL MULTI-USE FIELD REPLACEMENT-2020-04-01.pdf				

Date	Ver.	Action By	Action	Result
2/22/2023	1	Town Council	Approved and so declared	Pass
2/15/2023	1	Finance Committee	Recommended for Approval	Pass

### FINANCIAL BUSINESS REQUEST (FBR)

#### Motion/Request:

MOTION to appropriate and transfer the Board of Education Fiscal Year 2021/2022 audited surplus of \$448,253 from unrestricted fund balance as follows:

- \$381,015 to Account #21070101-58250 (BOE Reserve Fund) in accordance with "*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*" adopted on September 28, 1988; and
- \$67,238 to Account #21070101-58262 (Track & Field Rental Reserve) (15% when surplus exceeds \$250,000) in accordance with "*Resolution Regarding The Establishment Of An Account For The Revenues Received From Leasing the Ledyard High School Multi-Use Facility*" adopted on April 22, 2020.

#### Background:

See attached resolutions

#### Department Comment/Recommendation:

#### Finance Director Comment/Recommendation:

Account #21070101-58250 (BOE Reserve Fund) currently has an unencumbered balance of \$13,271

Account #21070101-58262 (Track & Field Rental Reserve) currently has an unencumbered balance of \$85,664

**Mayor Comment/Recommendation:**

I support this motion and hope that in the future, the BoE will realize revenues as projected for the use of the turf field to other entities.

**Additional Background/Notes:**

The Town Council adopted a resolution on September 28, 1988 that established a separate line item within the Town Capital Reserve Fund for Capital Expenditures for the Board of Education. Per the resolution, all surplus funds returned to the General Fund by the Board of Education are to be deposited in the Capital Reserve Fund for the Board of Education. Surplus funds shall be defined as reserves accumulated by the Board of Education according to their year-end audit statement.

**Department Comment/Recommendation:**

The General Fund ended Fiscal Year 21-22 with an overall operating deficit of \$43,375. The deficit reduced fund balance at year end to \$4,971,207. The biggest factor leading to the deficit was the under budgeting of Board of Education Healthcare. *Healthcare for active employees was under budgeted by approximately \$350,000 and healthcare for retirees (\$512,000) was erroneously omitted entirely from the budget. In addition to the healthcare deficit, several Board of Education revenue sources fell well short of budget. Impact Aid fell short of budget by almost \$113,000 and tuition revenues fell short of budgeted projections by almost \$257,000.* It should be noted that Vo-Ag Stabilization Funding exceeded the budgetary estimate by \$302,00 but that excess was already transferred out of the general fund by previous Town Council action. The overall net impact to the general fund for all these items is a \$783,500 reduction to fund balance. Factoring in the transfer out of the prior year Board of Education surplus of \$566,000 and the reduction to fund balance increases to \$1,349,500. Budgetary savings and revenues in excess of budgetary estimates in the Town portion of the budget resulted in a positive impact to fund balance of \$1,305,500. The net of the aforementioned fund balance impacts make up the overall fiscal year 21-22 deficit of \$44,000.

The Town's fund balance policy calls for a minimum undesignated fund balance that equates to 7% of current year general fund expenditures with an ultimate goal of 10%. As of June 30, 2022, the undesignated fund balance was 6% of current year general fund expenditures. *Transferring non-budgeted funds out of the general fund will only further deplete undesignated fund balance.* Fund balance and compliance with the Town's fund balance policy is one of the areas of focus for the rating agencies. Falling below this threshold further could have a negative impact on the Town's bond rating.

The current resolution for funding the Capital Reserve Fund for the Board of Education will always have a negative impact on general fund undesignated fund balance as it's transferring funds to the Capital Fund that have not been factored into the budget. A potential alternative to this funding method would be budgeting for a capital contribution to the capital fund, similar to how the town funds its capital.

	Budget	Actual	Variance - Positive (Negative)
<b><u>Revenues</u></b>			
Impact Aid	1,500,000	1,387,082	(112,918)
Vo Ag Tuition	772,973	717,110	(55,863)
Special Education Tuition	179,072	82,089	(96,983)
Non-Resident Tuition	138,590	34,648	(103,942)
<b><u>Expenditures</u></b>			
Education	33,671,969	33,223,716	448,253
Healthcare - Board of Education	4,254,907	5,116,660	(861,753)
Overall fund balance impact before transfer of prior year surplus			(783,206)
Prior year surplus transfer to capital account			(566,000)
Total combined fund balance impact			(1,349,206)

**Meeting Action Detail:****Town Council Meeting 02/22/2023:**File #: [231056](#) Version: 1

Type: General Discussion

**Title:** MOTION to recommend the Town Council appropriate and transfer the Board of Education Fiscal Year 2021/2022 audited surplus of \$448,253 from unrestricted fund balance as follows:

- \$381,015 to Account #21070101-58250 (BOE Reserve Fund) in accordance with the “*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*” adopted on September 28, 1988; and
- \$67,238 to Account #21070101-58262 (Track & Field Rental Reserve) (15% when surplus exceeds \$250,000) in accordance with the “*Resolution Regarding the Establishment of an Account for the Revenues Received from Leasing the Ledyard High School Multi-Use Facility*” adopted on April 22, 2020.

Moved: Saums Seconded : Ingalls

Action: Approved

Minute Note:

Moved by Councilor Saums, seconded by Councilor Ingalls

Discussion: Councilor Saums stated the Finance Committee has spent a lot of time discussing the transfer of the Board of Education's Fiscal Year 2021/2022 Operating Budget Surplus. He stated this was a routine transfer that was done every year, when Board of Education had an Operating Budget Surplus, noting that it was how they help to fund the School Buildings capital assets.

However, Councilor Saums stated during the Fiscal Year 2021/2022 Budget year they had an issue with healthcare expenses which caused a significant shortfall on the General Government Budget side of the ledger. Therefore, he stated the question they have been discussing was whether there was actually a surplus and whether the funds should be transferred. He went on to explain the overrun in the healthcare overrun was caused by an error in the calculation of the healthcare expenses, noting that mistakes were made along the way, that was crying out for a written procedure to be developed and put in place. He stated the Finance Director was working to draft a Procedure to make sure an error in the healthcare calculation does not happen again.

Councilor Saums provided some additional background noting that he along with Mayor Allyn, III and Finance Director Matthew Bonin met with Superintendent of Schools Jason Hartling and Board of Education Director of Finance and Human Capital Rachel Moser met on February 1, 2023 to discuss the "*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*" relative to the Board of Education's Fiscal Year 2021/2022 operating budget surplus, healthcare short-fall and their options. He stated during their meeting they also discussed times when they have had underruns in expenses and the town saved money as a whole. He stated the bottom line was that it was one town and one pot of money, noting that there were not two pots of money, or two separate tax bills (one for the General Government and one for the Board of Education). Therefore, he stated the consensus of the Group and the Finance Committee at their February 25, 2023 meeting, was that the right thing to do was to follow the Resolution and transfer the Board of Education's operating budget surplus to their Capital Account.

Councilor Saums concluded by noting throughout this discussion that Councilor Ingalls has stressed the importance to get the written Procedure completed so that they do not have an issue going forward. He noted over the years there has been, and would be staff changes and they could refer to a written Procedure and would not have to rely on tribal knowledge for how to calculate healthcare costs, or to move money, and what needed to be done.

Chairman Dombrowski stated in transferring these funds to the appropriate Board of Education Capital Accounts that they would be following the established procedures that they have today. He stated that they were not working to fix the transfer of the funds, but that they would be working to fix the issue with the calculation/funding of the healthcare expenses.

Councilor Ingalls stated that she agreed with Chairman Dombrowski's comments, noting that it would not behoove the town to write a Resolution and then ignore; or change it when it was not convenient.

VOTE: 8 - 0 Approved and so declared

Action: Approved

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## Meeting Action Detail:

### Finance Committee Meeting 02/15/2023:

File #: [231056](#) Version: 1

Type: General Discussion

Title: MOTION to recommend the Town Council appropriate and transfer the Board of Education Fiscal Year 2021/2022 audited surplus of \$448,253 from unrestricted fund balance as follows:

- \$381,015 to Account #21070101-58250 (BOE Reserve Fund) in accordance with the “*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*” adopted on September 28, 1988; and
- \$67,238 to Account #21070101-58262 (Track & Field Rental Reserve) (15% when surplus exceeds \$250,000) in accordance with the “*Resolution Regarding the Establishment of an Account for the Revenues Received from Leasing the Ledyard High School Multi-Use Facility*” adopted on April 22, 2020.

Action: Recommend to Approve

#### Minute Note:

Moved by Councilor Ingalls, seconded by Councilor Saums

Discussion: Councilor Saums stated that he along with the Mayor and Finance Director Matthew Bonin met with Superintendent of Schools Jason Hartling and Board of Education Director of Finance and Human Capital Rachel Moser met on February 1, 2023 at which they discussed the “*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*” and their options. He stated the consensus of the Group was that the right thing to do was to follow the Resolution and transfer the Board of Education’s Surplus to their Capital Account. He stated the Board of Education’s Capital Fund was used to maintain their facilities.

Councilor Ingalls stated that she also agreed that they should abide by the Resolution, noting that it was the right thing to do. She stated that she would continue to ask for the Procedure/Policy to be written to address forecasting and budgeting the Healthcare costs for both the General Government and the Board of Education so that they do not have the same issue with the healthcare oversight/short-fall they had in fiscal year 2021/2022. She stated that she was eager to see the Procedure/Policy completed so that there would not be bad feelings about transferring the money to where it should go. She stated the Town Council has put funding mechanisms in place to make sure they are putting funding aside to steward their resources such as the High School Multi-Use Artificial Turf Field. She stated they should move the money.

VOTE: 2 - 0 Approved and so declared

Action: Recommend to Approve

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**Finance Committee Meeting 02/01/2023:**

File #: [231056](#) Version: 1

Type: General Discussion

**Title:** Discussion regarding the transfer of the Board of Education Fiscal Year 2021/2022 Operating Budget Audited Surplus of \$448,253 to the BOE Capital Reserve Fund in accordance with the Town Council adopted Resolution that created the funding mechanism. Not factored into the aforementioned surplus is the Board of Education Healthcare deficit for the same audit period of \$861,753.

**Action:** Discussed

**Minute Note:**

Councilor Saums stated as a follow-up to the Finance Committee's January 18, 2023 meeting at which they discussed the transfer of the Board of Education Fiscal Year 2021/2022 Operating Budget Audited Surplus of \$448,253 to the BOE Capital Reserve Fund in accordance with the in the 1989 "*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*" that he along with the Mayor and Finance Director Matthew Bonin met with Superintendent of Schools Jason Hartling and Board of Education Director of Finance and Human Capital Rachel Moser earlier today.

Councilor Saums stated during the January 18, 2023 Finance Committee meeting that the following issues were discussed:

- Board of Education Healthcare had a shortfall of \$861,753.
- Employee expenses which included the Board of Education's Healthcare was carried/reflected on the General Government side of the ledger.
- Board of Education side of the ledger had a \$448,253 Surplus.

Councilor Saums stated the question was whether the Board of Education's Surplus in the amount of \$292,000 should be transferred to the BOE Capital Account per the "*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*".

Councilor Saums stated the bottom line was the money all comes out of one pot, therefore, during their meeting earlier today the feeling was that they should follow the Resolution and that the Board of Education's Surplus should be transferred to their Capital Account, because without the transfer of these funds the Board of Education would not be able to do the capital projects that were scheduled for this year.

Councilor Saums continued by explaining that transferring the Board of Education's Fiscal Year 2021/2022 Surplus Funds to their Capital Account would need to be acted on by the Finance Committee and Town Council.

Councilor Ryan questioned where the accountability lied regarding the shortfall in the budget for the Board of Education's Healthcare costs, noting that you cannot have an unexpected expenditure of nearly \$1 million, without some accountably. Councilor Saums stated that there may have been mistakes on both the Board of Education's side and the General Government side in calculating the healthcare cost number for the budget. He stated about a year ago when the shortfall was first identified they discussed drafting a Procedure to prevent this type of mistake from happening again. He stated during today's meeting they discussed that going forward the General Government would be accountable for the Board of Education Healthcare expenses in the annual budget. He explained that Finance Director Matthew Bonin would put together a projection for all of the Healthcare Expenses (Board of Education and General Government) based on information from the Munis Financial System. He went on to explain that the Board of Education Director of Finance and

Human Capital Rachel Moser would be bringing everything up to date in the Munis Financial System and would be updating the system every time there was a change in the Board of Education's employee population, (if an employee leaves, a new employee comes on staff, a retired employee passes on, etc.). He stated this would ensure that the single source of information (Munis Financial System) was up-to-date, and that Mr. Bonin could put together a projected Healthcare forecast, review it with the Board of Education and obtain their agreement. He also noted that the town would be working with our Healthcare Consultant Joe Spurgeon.

Councilor Ryan suggested that there was some form of written communication that the Board of Education agreed on the projected Healthcare cost for the annual budget year. He went on to point out because the Board of Education's Healthcare costs were on the General Government side of the budget ledger that they never vote on the Healthcare cost for their employees. Councilor Saums stated that was correct.

Councilor Ingalls questioned whether what Councilor Saums' just described was the "*Procedure/Policy*" and whether there was any agreement on it. Councilor Saums stated that Finance Director Matthew Bonin was still in the process of writing the "*Procedure/Policy*".

Councilor Saums stated during today's meeting they also discussed whether the Board of Education's Healthcare costs should once again reside on the Board of Education's side of the ledger instead of the General Government side of the ledger. He stated the Group agreed that the Board of Education Healthcare costs should be kept on the General Government side of the ledger based on past history.

Mayor Allyn stated by having the Board of Education Employees and the General Government Employees in the same healthcare plan they were able to receive better rates because they had a bigger pool. Councilor Ryan stated he understood the benefits of having a larger healthcare pool. However, he stated he wanted to be sure that measures were in-place so that the town was never put in this type of situation again. He went on to note that as Finance Director Matthew Bonin has stated that this situation has reduced the town's Undesignated Fund Balance pushing them farther under the threshold of the Town's Fund Balance Reserve Fund Policy that was adopted on May 23, 2018; which called for a minimum Undesignated Fund Balance that equated to 7% of current year General Fund expenditures with an ultimate goal of 10%

Councilor Ryan suggested they revise the 1989 "*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*" to account for when the Board of Education's Healthcare costs were over the budgeted amount.

Superintendent of Schools Jason Hartling stated that while he understood Councilor Ryan's point relative to the Fiscal Year 2021/2022 Budget, that what was missing from the conversation was that there have been years where the town has had a \$500,000 surplus in the Healthcare Account, which was not "*credited*" back to the Board of Education's budget. He stated there have been some swings in how the Healthcare costs have been budgeted over the years, and he stated the swing was not predicated on too many people enrolling in the healthcare plan. He stated this was a bigger conversation, other than the Board of Education overspending Healthcare that was on the town side of the ledger. He stated Finance Director Matthew Bonin has a plan in how he would like to proceed with the Healthcare Cost projection.

Councilor Ryan stated his suggestion to revise the 1989 "*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*" was not only to account overages but that it would also account for surpluses, as the Resolution currently does.

Councilor Saums stated tonight's discussion was for informational purposes. He suggested that they continue their discussion regarding the Capital Plan, because that was what this discussion was about, noting that 1989 "*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*" was about how much money goes into the Board of Education's Capital Account. He stated during their meeting earlier today that they discussed how they fund school buildings infrastructure and maintenance; and why they don't set money aside for things like roof replacements instead of bonding the projects.

Councilor Ryan stated that he agreed that funding Capital Expenses was an important discussion. However, he stated he was a fan of accountability and that he wanted to make sure that we were holding ourselves and everyone else



accountable for the projections they make and the numbers that they agreed too. He stated if we do not do that then they were doing the taxpayers a disservice.

Action: Discussed

### **Finance Committee Meeting 01/18/2023:**

File #: [231056](#) Version: 1

Type: General Discussion

Title: Discussion regarding the transfer of the Board of Education Fiscal Year 2021/2022 Operating Budget Audited Surplus of \$448,253 to the BOE Capital Reserve Fund in accordance with the Town Council adopted Resolution that created the funding mechanism. Not factored into the aforementioned surplus is the Board of Education Healthcare deficit for the same audit period of \$861,753.

Action: Discussed

#### **Minute Note:**

Finance Director Matthew Bonin provided some background noting that the Town Council adopted a Resolution on September 28, 1988 that established a separate line item within the Town Capital Reserve Fund (Fund 210) for Capital Expenditures for the Board of Education. He explained per the Resolution, all surplus funds returned to the General Fund by the Board of Education were to be deposited in the Capital Reserve Fund for the Board of Education. He went on to explain per the Resolution that *“Surplus Funds shall be defined as reserves accumulated by the Board of Education according to their year-end audit statement”*.

Mr. Bonin went on to explain that the General Fund ended Fiscal Year 2021/2022 with an overall operating deficit of \$43,375. He stated the deficit reduced the Fund Balance at year end to \$4,971,207. He noted the biggest factor leading to the deficit was the under budgeting of Board of Education Healthcare. He stated the Healthcare for active employees was under budgeted by approximately \$350,000 and healthcare for retirees (\$512,000) was erroneously omitted entirely from the budget for a total shortfall of \$861,75. Councilor Saums noted that the Board of Education Healthcare resides on the General Government side of the ledger, however, he stated it was a Board of Education expense which would reduce the Board of Education’s surplus.

Mr. Bonin continued by noting that in addition to the healthcare deficit, several Board of Education revenue sources fell well short of budget noting the following:

- Impact Aid fell short of budget by almost \$113,000; and
- Tuition revenues fell short of budgeted projections by almost \$257,000.

Mr. Bonin went on to state that it should be noted that the Vo-Ag Stabilization Funding exceeded the budgetary estimate by \$302,00; but that the excess funding had already been transferred out of the General Fund by a previous Town Council action, noting that the overall net impact to the General Fund for all these items was a \$783,500 reduction to the Fund Balance.

Mr. Bonin explained the following factors resulted in a direct impact reducing the Fund Balance by \$1,305,500:

- During Fiscal Year 2022 they transferred out of the prior year’s Board of Education surplus of \$566,000.
- The reduction to Fund Balance increased to \$1,349,500.
- Budgetary savings and revenues in excess of budgetary estimates in the Town portion of the budget



Mr. Bonin stated the budgetary savings and revenues in excess of budgetary estimates on the Town side of the budget led to an overall Fiscal Year 2021-2022 deficit of about \$50,000.

Mr. Bonin continued to explain the Town's Fund Balance Reserve Fund Policy adopted on May 23, 2018 called for a minimum Undesignated Fund Balance that equated to 7% of current year General Fund expenditures with an ultimate goal of 10%. He stated as of June 30, 2022, the Undesignated Fund Balance was 6% of current year General Fund Expenditures.

Mr. Bonin explained that transferring non-budgeted funds out of the General Fund would only further deplete Undesignated Fund Balance. He went on to explain that the Fund Balance and compliance with the Town's Fund Balance Reserve Policy was one of the areas of focus for the Bond Rating Agencies. He stated falling below the Policy threshold further could have a negative impact on the Town's bond rating.

Mr. Bonin suggested going forward the Board of Education Operating Budget include a Capital Line like the General Government Budget has. He explained the current Resolution for funding the Capital Reserve Fund for the Board of Education would always have a negative impact on General Fund Undesignated Fund Balance because it was calling for the transfer of funds to the Capital Fund that have not been factored into the budget. Therefore, he stated a potential alternative to this funding method would be to budget for the Board of Education's capital contribution to a Capital Fund, similar to how the Town funded its Capital expenses.

Superintendent of Schools Jason Hartling stated a lot of analysis has been conducted regarding the Healthcare funding relative to last year's situation with the Board of Education's healthcare expenses not being properly funded. He stated this year would be a change in both revenues and expenses for how Healthcare would be budgeted. He stated for the Board of Education Retirees it would be a wash, noting that what the Board of Education Retirees pay in was what the town pays out, with the exception of +/- the \$10,000 - \$15,000 that was paid out for fees.

Mr. Hartling continued by addressing the Board of Education's over expenditures, noting that the Board of Education Central Office could not figure out where the numbers came from. Finance Director Matthew Bonin stated the numbers came from the Audit Report. Board of Education Director of Finance and Human Capital Rachel Moser stated that she pulled a final year to date report and that the Audit numbers were off, noting that the actual expenditures were \$33,165. Mr. Hartling stated the budget overage of \$33,165 was about 1.4% of the Board of Education's total budget. He stated this cost could be related to a few moves in or out of the School District of high costs students and or inability to execute on particular pieces. He stated it was what the Board of Education generally expected.

Mr. Hartling went on to address Revenues stating that the revenue has always been booked on the town side of the budget ledger and he commented that it shifted depending on whether it was to the positive or negative. He stated the each year the Board of Education recommended the revenue numbers for the annual budget preparation; however, the Town Council ultimately decided the revenue numbers that would be included in the budget. He went on to state whereas the Healthcare conversation, as they have discussed in the past, the Board of Education had no input relative to what the Board of Education Healthcare number should be in the budget. He stated that he has advocated to continue the practice that has been happening for the last fifteen years and that if they wanted to have a different discussion on what that should look like for this fiscal year or next fiscal year, then they should have that discussion transparently between the Board of Education and the Town Council, so that they were all on the same sheet of music noting that this decision that should be taken lightly.

Mr. Hartling commented on the Board of Education's capital expenses and he stated every capital improvement outside of projects that have been bonded were being bucketed into that Board of Education Capital Non-Recurring Fund. Therefore, he stated that he agreed with Finance Director Matthew Bonin, in that the current practice provided in the 1989 "*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*" was not the best way to budget their capital improvements. However, he stated given Ledyard's per pupil rate that he did not have any room in their budget to provide an allotment for capital expenses. He stated that they have been repairing the school buildings and making capital improvements on any excess funding they had from year to year.

He stated in analyzing the Board of Education's annual surplus that there was about \$2 million over the past five years that has not been transferred into the Board of Education's Capital Non-Recurring Fund. He stated as the Schools Superintendent that he was representing the Board of Education and he stated that there were a lot of conversations that needed to be had to figure out a path forward.

Councilor Saums stated for a number of years he has had a concern about how the Board of Education's capital expenses were handled, and he commented that there may be a better way to budget for the Board of Education's capital expenses. He noted as an example, the program the General Government had in place to budget for the replacement of fire/emergency apparatus and public works trucks/equipment. He explained that funding was allocated every year so that when the time comes to replace a piece of equipment the funding was in place. He went on to state that not only was the town funding the Board of Education's capital expenses out of the budget surplus that the town was also borrowing money to do that. He stated when they borrow (bond) money they pay interest, ultimately costing the town more money. He stated that a much larger discussion to address these issues needed to be had.

Mr. Hartling stated by delaying the transfer of the Board of Education's surplus to their Capital Fund would put many projects at risk. He stated last summer (2022) they were not able to do the High School Classroom Renovation projects because of supply chain issues. He stated if they do not move forward with the process that the classrooms would not get done again this summer (2023). He stated that they were having the same issues with the Board of Education Central Office and School Roof Replacement Projects noting that delays and cost escalations would also impact the projects.

Board of Education Finance Committee Chairman Mike Brawner stated that he agreed that the Board of Education and Town Council needed to have discussions regarding capital expenses. He suggested after this budget season they schedule a Joint Meeting between the two Finance Committees (Board of Education and Town Council) to brainstorm. Councilor Saums stated he agreed with Mr. Brawner. He stated the short-term issue and the question they had to answer was "*What to do the Surplus this year*" as explained by Finance Director Matthew Bonin this evening.

Councilor Ryan stated that he had some questions regarding the math in the spreadsheet. However, he stated it was something they could work out during another discussion. He stated before the Board of Education and the Town Council Finance Committees had any discussions, that they need to understand the Capital Non-Recurring Fund Balance and the cadence and phasing for the funding needed for the planned expenditures. He stated at a minimum that he would need to understand where they would land in terms of anything that would impact the Capital Non-Recurring Fund. He stated this information was critical to understand before they decide on what to do with the movement of money.

Councilor Saums suggested they have a meeting soon to understand what the math is and to try to come to an agreement between the Board of Education and Town Council on what was happening with the General Fund and the Capital Non-Recurring Fund. He stated that they also have an outstanding task to put a procedure in place on how to handle healthcare expenses overall.

Finance Director Matthew Bonin stated that they could not wait until after the Budget Season to discuss the Board of Education's capital expenses, explaining that they needed to discuss the funding source.

Superintendent Hartling stated the past practice has been to transfer the Board of Education's budget surplus to their Capital Fund in accordance with "*Resolution Creating a Funding Mechanism for Making Annual Appropriations to a Capital Reserve Fund for the Board of Education*". Therefore, he stated the funds should be transferred to the Board's Capital Non-Recurring Fund. He went on to state in the Board of Education's approved Capital Plan that there were projects that would be funded from: (1) Board of Education's Capital Non-Recurring Fund (CNR); (2) Town related funds; and (3) Bonding. He stated it was not assumed by any member of the Board of Education that any item on the Capital Improvement List would be simply transferred over from the CNR Fund. He stated this was an unspoken conversation, noting that it was not the general understanding. He stated based on the Annual Budget Town Meeting the presentation regarding Capital Improvements that one would think that the projects were being funded by all new money, with "Grants" written in another column. He stated it was a less than clear explanation of where the Board of Education's Capital Funds were coming from. He stated the Board of Education has put together a Fiscal Year 2023/2024 Capital Improvement Plan, which included what they needed to finish out from this current year and what they believed should be in their Capital Fund based on the end of year balance provided by the Auditors, which would get them thru the next capital cycle. However, he stated there were items on the Board of Education's Capital Plan that the Town would need to decide whether they wanted to take on, noting that the Board of Education would never have enough money in their

Capital Fund using their Budget Surplus to do the work that needed to be done to maintain and upgrade the Schools Facilities the way they need to be maintained.

Mr. Hartling concluded his comments by stating that if the Board of Education's Fiscal Year 2021/2022 budget surplus was not going to be transferred to their Capital Fund that they would not be able to move forward with the High School Classrooms Renovations this summer because he would not be able to order the equipment in time for the projects to be executed, noting that they would be kicking the can down the road again.

Councilor Saums stated he understood Mr. Hartling's comments; but that the Finance Committee would not be making a recommendation this evening.

[Action:](#) Discussed

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