

MIDDLEFIELD BOARD OF FINANCE
405 Main Street
Middlefield, Connecticut 06455

Minutes of the January 13, 2022 Regular Meeting

**** Not Approved At The Time of Filing ****

Michael Skelps, acting chairman, called the regular meeting of the Board of Finance to order at 7:00 pm.

Attendance:

Members		Others	
X	Boyle, Kevin		
X	Kowal, Melissa		
X	Lowry, David		
X	Skelps, Michael		
X	Wolak, Mary	X	Rusilowicz, Al

A=Absent

X=Present

The Pledge of Allegiance was recited.

Approval of the Agenda

Michael Skelps explained that he had revised the agenda a bit and reviewed it with the board.

The following items were added to the agenda:

- a. Discussion of inflation rate for capital planning spreadsheet
- b. Discuss 2/8 Referendum and possible resulting scenarios
- c. Letter to First Selectman and BOS regarding BOF's position on budget, mill rate and tax levy
- d. Review upcoming Dates

Melissa Kowal made a motion, seconded by Mary Wolak, to approve the agenda, as amended. Motion carried unanimously.

Public Comment

None.

Election of Officers (Chair, Vice-Chair and Clerk)

Michael Skelps explained that Jim Irish has moved on and it was decided that the board start fresh with new officers.

Dave Lowry nominated Michael Skelps for Chairman, seconded by Melissa Kowal. Hearing no other nominations, Michael Skelps was elected unanimously.

Michael Skelps nominated David Lowry for Vice-Chairman, seconded by Melissa Kowal. Hearing no other nominations, David Lowry was elected unanimously.

Mary Wolak nominated Melissa Kowal for Clerk, seconded by Michael Skelps. Hearing no other nominations, Melissa Kowal was elected unanimously.

Michael Skelps assured the board that he will do his utmost best to fill the shoes left by Jim Irish. He did ask for everyone's patience while working through the process.

Review and Approval of Minutes from the 12/9/21 BOF Special Meeting

Michael Skelps asked to correct wording in section A of the minutes to "the committee has spent over 200 hours working on the bid specification for this truck."

Mary Wolak made a motion, seconded by Kevin Boyle, to approve the minutes of the 12/9/21 BOF Regular meeting, as amended. Motion approved, with Melissa Kowal and Dave Lowry abstaining.

Old Business

A. Review YTD revenue and expense variance analysis vs. FY22 Budget - Al Rusilowicz

Al Rusilowicz reviewed the variances on the expense side through December. He noted that they did pay retroactive pay increases this past week for the first six months of the year and they are not reflected here. He will present a breakout of how the transfers will be made at the next meeting. Employees at the Town Hall, included elected officials, have received a 2.5 percent increase and Public Works employees have received a 4 percent increase. They also increased the contribution for the premium from 9 percent to 11 percent and decreased the HSA contribution from the town to 70 percent from 75 percent.

Mr. Rusilowicz explained that the expenses should be at 50 percent right now. He reviewed items that were substantially over budget, including dues which are typically paid at the beginning of the year. The same thing holds true for Professional Services for Regional Planning. There was about \$2,500 of additional services rendered under IT and the town also purchased cyber insurance this past year. The town receives a monthly report card of all of the computers which Mr. Rusilowicz shares with the IT

company. One of the findings was that the insurance company felt that the town was a little weak on the possibility of outside access to the server and they recommended a better product, at an additional cost. Unfortunately, this product is based on number of email accounts and the town has a lot of email accounts that are never used. He expects to be over budget on this line item about \$4,000 by the end of the year. Mr. Rusilowicz did note that they had been quoted \$10,000 for cyber insurance, but the actual came in at \$7,319.

Property liability insurance is over budget by roughly \$800 because CIRMA insured the communications equipment for \$310,000 which had been purchased with the capital lease a few years ago. A new dump truck was also added to the policy. Worker's comp is 100 percent paid and the \$2,400 deductible has been reimbursed. There is only one insurance payment left to pay at about \$400.

Under Employee Benefits, health insurance is a little high because it includes the January premium and the HSAs are funded at the beginning of the year. Al Rusilowicz stated that they have been notified by the insurance broker that Connecticut is proposing a 21.9 percent increase for next year, equaling about \$40,000 to the town and between \$800,000 and \$900,000 to the district. There have been significant large claims over the past year, with million-dollar claims. Mr. Rusilowicz wasn't sure if those claims were from the schools or the Town of Durham, but it was not from Middlefield. This puts them in a position of not being able to go out to bid. The loss ratio was 131 percent before posting an \$800,000 claim, so it will likely go up to 140, 145 percent. This means that for every dollar paid in premium, the insurance company is paying out \$1.40 in expenses. They will look into going into the state program, but that requires a three-year commitment. It is a PPO and requires a copay. This is the richest plan in the State of Connecticut and copays are extremely small. Most of the unions have a clause to reopen their contracts if insurance is moved to the State program, but Mr. Rusilowicz felt it would go through relatively unopposed. The downside to this is that they insure many individuals of varying risk categories. Mr. Rusilowicz cautioned that they will be locked in for three years and rates can escalate 20, 30, 40 percent over that time. There will be a meeting with the insurance broker in February and rates should be available at that time. Mr. Rusilowicz felt that there may be only a couple of sticking points with the unions. The State program is administered by Anthem Blue Cross and Mr. Rusilowicz explained that the premium for an employee, a partner and children is \$500 a month less than under Connecticut today. There would be no HSA.

Moving on to the Tax Collector, the software was paid for up-front. Under Assessor, there will be an issue at the end of the year as he expects that line item to come in around \$89,000 which will be over budget by about \$32,000. That will require a town meeting. The reason for the difference is that the line item was budgeted for a half-time position and it has since become full-time with no assistant. If money is transferred between the two line items, it would be below the \$20,000 threshold. He would suggest the Board do that transfer sometime in June. Al Rusilowicz explained that the Assessor works 35 hours a week, teaches assessors at the state level and provides support to the Town of East Lyme as well. He also mentioned that some people will be surprised with their tax bills and will visit Town Hall.

Under Senior and Social Services, the Dial-A-Ride bus has been paid in full and was over budget by \$407. Under Public Works, equipment maintenance is at 78 percent. There was also an unexpected repair this week that will come out of the capital account for \$10,000. Road maintenance includes all the costs associated with Storm Ida (approximately \$25,000). Mr. Rusilowicz will pull those out in the hopes of reimbursement from FEMA for 75 percent. They just received an engineering for the Lake Shore

Drive culvert repair which is \$611,000, not including engineering costs. There is a STEAP grant for \$128,000 against that and they are hoping that FEMA will reimburse the town for that damage. The trouble with FEMA reimbursement is that it is likely not to happen for two years. Kevin Boyle asked if there was an opportunity to talk to the state reps about it. Mr. Rusilowicz did explain that they have not submitted to FEMA yet, but that might be worth investigating.

Kevin Boyle asked when they might know if the money will be coming and Al Rusilowicz stated that, once the documentation is submitted, it goes through several layers of review and no one can be sure how long that will take. It took a little more than six months to get a final answer last time. Mr. Boyle felt that it might behoove the town to go out to bid due to inflationary construction costs. Mr. Rusilowicz explained that there is a 20 percent contingency included in the \$611,000.

Park and Rec summer camp payroll will be under budget by about \$20,000. Office expenses are up due to software being paid early in the year. The state fees under Animal Control are over budget, probably due to people getting more dogs during COVID. Fire Department life insurance costs appear to be right in line.

Emergency Management includes payment for the Everbridge system, but Mr. Rusilowicz noted that COVID supplies are largely not included as of now. Under Boards and Commissions, the Fire Department Building committee was budgeted at \$1.00 and the line item is basically minutes which the Town Clerk Assistant is doing. They do hope to wrap up the contract on Tuesday morning.

The town is literally debt free now except for capital leases. The final payment was made to USDA and was a little over budget. Payments to District 13 have been paid through the January assessment. Mr. Rusilowicz summarized that the town is in good shape and any variances were expected. Supplemental Motor Vehicle tax bills will be higher than expected and Mr. Rusilowicz reported that it had been around \$140,000 in the past but came in at \$210,000. He felt that that line item needs to be discussed.

New Business

A. Email regarding inflation

Michael Skelps received an email from Jim Irish including the spreadsheet for capital planning. Inflation is built right into the forecast. Mr. Irish felt that 3 percent per year has worked for the last several years, but inflation is higher now and he would like to see that bumped up to 6 percent. Mr. Skelps went on to review information about inflation that was provided by Mr. Irish. He will forward all of this information to everyone and they can have a discussion at a later date.

Mary Wolak felt that if Jim Irish thought that 6 percent works, she trusts him on that. That can always be brought down if inflation goes down. Melissa Kowal would like to read the documentation. It was agreed to table the discussion until the next meeting. Al Rusilowicz suggested they wait on that as there will be an \$800,000 increase from the school due to the demographic change and that is before insurance. Mary Wolak explained that 6 percent can be used for the numbers, but they can still decide where to put what amount of money.

B. District Referendum

Michael Skelps reported that there will be a referendum for bonding \$7.5 million on February 8, 2022 to provide for repairs needed at John Lyman School. He felt that the referendum needs to pass in both towns in order to go through and he felt that Durham will have a hard time supporting it. Dave Lowry explained that the referendum is determined by aggregate vote and not necessarily passing in both towns. Mr. Skelps thanked him for that clarification, but felt that that it may still not go through.

Al Rusilowicz also felt that it will likely not pass and they will be left with a building that they can't close and can't fix. Options would include assessing the \$4 million for the highest priority items through the annual school budget. Middlefield's contribution would be one-third of that or \$1.3 million and the mill rate would shoot through the roof for one year. He added that the impact from a \$7.5 million bonding would be minimal as the debt service would be amortized over 20 years and Middlefield only pays a third of it. Mr. Rusilowicz felt that people would not be voting on the impact to their tax bill, but more on the sticker price.

Another option would be to not make the necessary repairs and run the school until it fails and then decide whether to make the repairs or close the school. Mary Wolak stated that they can't close the school when the people voted to keep it open, but Mr. Rusilowicz stated that they could close it if they can't put the kids in the building. Mrs. Wolak thought that the district would get some reimbursement from the state for some of this. Melissa Kowal had also heard that people who voted to keep the school open are now going to vote no for the bonding. Mrs. Wolak also stated that the district is asking for \$7.5 million because there were a number of years when they didn't fix anything because they thought the school was closing. Mr. Rusilowicz thought it was likely that the district will get some reimbursement from the state.

Al Rusilowicz added that if the HVAC system fails on a Monday when it is 6 degrees, the school would be evacuated and there would be trouble. Mrs. Wolak felt that the Board of Education would need to make that a priority item and not do other maintenance. Mr. Rusilowicz reviewed that the reason Lyman School was selected to close is because it was the building in most need of repair. The last option would be for the district to go to the state legislature for assistance of some kind.

Michael Skelps asked if anyone felt that the Board of Finance should take a position on this and advocate for passing the bond or just stay out of it. Melissa Kowal asked who would educate the public on this issue. She felt that if people vote no for bonding, their taxes would increase significantly next year but not increase very much if they voted yes. Kevin Boyle felt they need to have a liaison with the chairman of the Board of Education to discuss the Board of Finance's concerns and have a joint messaging campaign. Mary Wolak stated that the Board of Education did have a meeting about this bonding and she didn't feel the Board of Finance should take a position on this. She felt that this was going to hurt taxpayers' pocketbooks no matter what but it is certainly a lot cheaper to bond than any other option.

Melissa Kowal stated that the budget season will be very difficult if this doesn't pass at referendum and there will be a lot of very unhappy people in July when tax bills come out. If the Board of Education decides to budget the repairs in the annual budget, Mr. Rusilowicz felt that that would be true. He also

reminded everyone that the district is limited to reserve 2 percent for capital expenditures and he also reviewed that Bob Yamartino had suggested setting up a school building reserve fund on the town side.

Mary Wolak mentioned that the money they had in reserve for the firehouse may have to go towards the school and the town would bond for the firehouse. Dave Lowry also asked what would happen if the school budget that includes all that extra expense doesn't pass. He reviewed that Durham does not want John Lyman School open and they can outvote Middlefield on just about everything, including the budget and bonding referendum. He also felt that keeping John Lyman open does not necessarily mean it has K-3 and it could be downsized. Mrs. Wolak mentioned that Middlefield paid a lot of money to keep Korn School open as well.

Melissa Kowal reviewed that Middlefield voted to regionalized back in 1970, but the two towns still sometimes have opposing priorities. The location of the buildings are still relatively close, but belong to the district, not the towns. She believes it is the Board of Finance's job to take a snapshot of what this could look like for the town and try to do what Jim Irish did prior to the November vote, including a fact sheet. She also mentioned that the bonding will take care of all of the immediate needs at the school. Mary Wolak did not have a problem with publishing the facts on the town's website. Al Rusilowicz noted that either Bob Yamartino or Jim Irish has already done the analysis. They reviewed the prior information from Jim Irish and noted that there would have been a 4 percent reduction in taxes if John Lyman was closed.

Michael Skelps will ask Jim Irish for any information that he has and will also ask if he can attend the meeting with the Selectmen and the Superintendent. Mary Wolak suggested he reach out to Lucy Petrella as well for more information.

Mr. Rusilowicz reiterated that the mill rate would only increase by tenths of a mill if the \$7.5 bonding is passed. Mr. Skelps added that it would be roughly .2 mills vs. roughly 3.5 mills to pay it in one year.

C. Stance on Budget

Michael Skelps would like the Board to express their desire for town spending to remain flat or be reduced and try to reduce the mill rate, if at all possible. Obviously, there will be issues with the district budget. He then showed a report on the tax levy per capita of towns in Connecticut. Middlefield comes in at number 73 and he would like to see that continue on a downward trend. He will forward this information to the board members.

Mary Kowal felt that Bob Yamartino and Jim Irish, as former Board of Finance members, will be looking at zero-based budgeting. She also noted that the Board of Finance can also revise the First Selectman's budget. Mr. Skelps did not disagree, but just thought it could be potentially helpful to them.

Melissa Kowal felt that they should put their energy into an information sheet about the district referendum rather than a statement about the budget. Dave Lowry agreed and felt that it would be redundant. Mr. Rusilowicz reminded everyone that it is the Selectmen's budget.

Mr. Skelps noted that they will take no action on this.

D. Review Upcoming Dates

Michael Skelps reviewed that the referendum will be held on February 8th, with the Superintendent presenting his budget on February 9th. The next Board of Finance meeting will be held on February 10th when they receive the report from the auditors. The First Selectman will present his budget on March 10th and budget workshops start on March 15th.

Al Rusilowicz asked if budget workshops that do not include a presenter could be done by Zoom, if possible. Michael Skelps asked if the board members prefer Zoom or want to be in person and it was generally agreed to hold the workshops via Zoom. Mary Wolak suggested they try to meet in person for the public hearing if it is safe to do so.

Adjournment

Mary Wolak made a motion, seconded by Dave Lowry, to adjourn the joint meeting. Motion was carried unanimously. The meeting was adjourned at 8:37 pm.

Respectfully submitted,

Debi Waz

Debi Waz
Alwaz First