CALL TO ORDER
Chairman Carmany called the meeting to order at 7:37 p.m. In attendance included: Chairman Carmany, Rick Nygard, Jon Joslow, Jennifer Rannestad, Richard Strauss (seated for Charlie Park), and Mike Joplin, (seated for Dave Cohen). Also in attendance were Peter Evankow, Finance Manager, First Selectwoman Gister, Selectman Grzybowski and Selectwoman Janecek.

APPROVAL OF MINUTES
Rick Nygard made a motion to approve the minutes from the 6/20/19 BOF meeting. Jennifer Rannestad seconded the motion. The motion passed with Jennifer Rannestad abstaining from the vote.

Note: Under First Selectwoman’s Report – “As of June 3rd, the Town owns the Skyview Property.”
Clarification – the town has possession of the Skyview Property as of June 3rd.

Note: Under Audience of Citizens – discussion relative to protocol for Public Comment and the possibility of a formal policy on same.

NEW BUSINESS
Year End Transfers
Lauren reported that the top request states “at the First Selectwoman’s request” and the others say “at the BOS request”. Lauren received clarification from Attorney Bennett regarding any additional bills. He stated that there would be none; however, we did receive 2 additional bills (consultation on Masonicare and Skyview). Therefore, the BOS did not have the opportunity to vote on this transfer.

Lauren reported the following regarding the transfers:

- Park and Rec transfer due to repairs resulting from flood.
- Tax Collector transfer due to administrative error in data processing charges.
- Highway transfer due to trees and flood. This figure does not include the costs associated with bridge repair. Capital was used to fund that project. It is anticipated that the Town will be reimbursed for these expenses through FEMA or the Federal Highway Administration.
- Hose Company transfer due to truck repairs (spring replacement).
- Fire Marshal, over $9,000 as expected.
- Police transfer due to extra private duty and we will be reimbursed for same.
- Library – for heating fuel overage.

Rick Nygard made a motion to accept the transfers as presented. Richard Strauss seconded the motion. The motion passed unanimously.
At the First Selectwoman’s request, please transfer the following:
From 10-01-01-1000-360 Board of Selectmen – Community Events $1,700
To 10-01-01-1000-270 Board of Selectmen – General Legal $1,700

Tax Collector
At the Board of Selectmen’s request, please transfer the following:
From 10-01-10-1000-103 Tax Collector – Regular Payroll $1,000
To 10-01-10-1000-190 Tax Collector – Data Processing $1,000

Park and Recreation Commission
At the Board of Selectmen’s request, please transfer the following:
From 10-01-11-1000-365 Assessor – Outside Contractor $4,500
To 10-01-24-1112-230 P&R Commission – Equipment Maintenance $4,500

Library
At the Board of Selectmen’s request, please transfer the following:
From 10-01-29-1000-103 Library – Regular Payroll $ 206
To 10-01-29-1000-280 Library – Heating Fuel $ 206

Highway
At the Board of Selectmen’s request, please transfer the following:
From 10-02-30-1080-104 Highway – General Maintenance – Overtime Payroll $ 1,614
From 10-02-30-1160-104 Highway – Winter Maintenance – Overtime Payroll $ 3,499
From 10-01-13-1000-125 Board of Finance – General Contingency $ 77,500
From 10-05-55-1000-325 Employee Benefits – Medical Insurance $ 58,580
To 10-02-30-1080-103 Highway – General Maintenance – Regular Payroll $ 8,004
To 10-02-30-1081-365 Highway – Tree Maint. – Outside Contractor $ 20,992
To 10-02-30-1130-445 Highway – Road Maintenance $112,197

Buildings and Grounds
At the Board of Selectmen’s request, please transfer the following:
From 10-01-20-1000-270 Planning and Zoning – General Legal $ 2,000
To 10-02-36-1080-280 Buildings and Grounds – Heating Fuel $ 2,000

Chester Hose Company
At the Board of Selectmen’s request, please transfer the following:
From 10-03-42-1040-103 Chester Hose Company – Regular Payroll $10,598
To 10-03-42-1040-230 Chester Hose Company – Equipment Maintenance $10,598

Fire Marshal
At the Board of Selectmen’s request, please transfer the following:
From 10-01-20-1000-270 Planning and Zoning – General Legal $ 9,133
To 10-03-42-1075-345 Fire Marshal – Mileage $ 314
To 10-03-42-1075-365 Fire Marshal – Outside Contractor $ 8,819

Police
At the Board of Selectmen’s request, please transfer the following:
Virginia reported that taxes collected, back taxes and interest/fees are a bit higher than last month (101.45%). Year end Revenues and Expenditure reports were available for BOF review; does not include above transfers; however, the transfers are “net/net”.

The school shows a large surplus at this time as the funds have not yet been spent. At the June 6 BOS meeting, the Chester BOF requested that the BOE not make the transfer to “cover” the deficit in Capital. The BOE meets again in August and may decide to use funds to “cover” the prior year’s deficit.

Virginia suggested that instead of using surplus to cover the deficit, she would ask that the BOE return funds to the towns. At the same time, make an appropriation to cover the deficit so that the deficit would go out on the ADM in the appropriate year as per State Statute. There are currently several areas in which the school does not follow State Statute including Budget, Cafeteria Fund, Grants, and Capital Non-Recurring.

Peter provided additional reports relative to Expenses and Revenues. The Police line shows the amount of $44,000 due to Resident State Trooper (we budget higher than we actually pay). Also the DUI grant contributes to this figure.

Teacher Retirement Contribution line – Lauren reported that there was a possibility (did not happen) in this year’s State budget that would have transferred a portion of the Teacher Retirement Contribution to the towns.

Potential reimbursements ($428,000) relative to the storm damage was discussed. Lauren reported that we will be reimbursed anywhere from 0 to 80% of that amount (from FEMA or the Federal Highway Administration).

Lauren reported that she has a meeting with the FEMA rep. (final meeting), on Monday, July 22. She hopes to receive confirmation of funding/reimbursements at that meeting. The FEMA rep commented that the State would become the primary entity overseeing the town’s project. FEMA may have the impression that projects are not yet completed in Chester; however, the only outstanding project when the claim was submitted was the restoration of the beach at Cedar Lake. The Cedar Lake project is now mostly complete. Lauren will request clarification when she meets with FEMA.

Federal Highway funds would be used for the Liberty Street Bridge and Goose Hill Road project. It is still unknown when these funds will be received. Capital was used to fund said projects. When the Federal Highway funds are received, they will go back into Capital to reimburse most of what we have spent to date. The FEMA money is for materials, contract works, employee OT, and equipment rentals. We have already paid and “corrected” for it out of the Highway transfer. The BOF would determine what accounts would be reimbursed as FEMA funds are received.
Our cost share for the Natural Resources Conservation Service Project (debris in streams) will be approximately $50,000 out of a $202,000 estimated cost of the work. Unfortunately, they have a 220 day deadline to do the work and we cannot do the work in that timeframe; in part because the DEEP and Army Corps permitting process takes months to do and the construction season is not compatible with that timeframe. Jacobson is working on that project. Lauren has been requesting extensions.

The timing of the receipt of any FEMA/Federal Highway funds is unknown.

When reimbursement funds are received from FEMA and/or Federal Highway, the BOF will discuss and determine the appropriate fund in which to place the reimbursements. At this time, the “spirit and intention” of BOF members is that any reimbursements from Federal Highway claims submitted would be used to reimburse the Capital line (Roads).

Virginia reported that Encumbrances reflect $2,500 for review of the Chester Cafeteria Fund. The additional $10,000 from prior year Malone & McBroom is still shown on the report. Lauren is in the process of discussing same with Malone & McBroom.

Virginia reported that there is a $551,000 surplus. She suggested that it be used to “buy down” Capital next year. Lauren commented that there are some items that were not budgeted this year and perhaps surplus can be used, via a special appropriation, to complete projects (Meeting House floor, tree maintenance, environmental study (Skyview property) etc.) this year instead of funding through Capital next year.

First Selectwoman’s Report
Lauren reported:

- No new information relative to Masioncare.
- Scott Mills has been hired on a one year contract as Tree Warden. It is anticipated that he will be an hourly employee for the same amount as budgeted for the stipend. Tree work has started, mostly on Turkey Hill and Bokum Hill Roads.
- Lauren met with the auditor and he has had conversations with Kim and is working through the data provided. Virginia reported that the CES audit is part of the Town’s audit and the BOF has no input on same.

OPEN ITEMS IN OLD BUSINESS
Main Street Project Update – The Town engineer is currently working on the design. Additional questions (historic value of the voids) received from the State are being researched and addressed. Mike Joplin stressed the importance of supporting the Merchants during the project. Virginia suggested that if the Merchants can quantify their anticipated losses as result of the project, perhaps the Town could assist in some way. Mike Joplin reported that he is in the process of working with the Merchants on same. It was suggested that perhaps the construction period could be reduced. It was also suggested that perhaps our State Representatives/Legislators could be of assistance. Also, Merchants may be eligible for Business Interruption Insurance.

Lauren reported that she has been doing some research on what other Towns have done to assist Merchants during construction; however, the situation in Chester is quite unique.
Region 4 and CES Reporting Improvements – A copy of a letter regarding the BOF’s concerns relative to the Region 4 schools, developed by Chairman Carmany and based on comments made by the BOF over the past several months, was discussed by the BOF. The letter is addressed to the Superintendent of Schools, Chairs R4 BOE, Supervision District and CES and is from Virginia Carmany, Chairman Chester BOF. The addition of the BOS in the “from” section of the letter was discussed and would need to be voted upon by the BOS.

Richard Strauss expressed concern with several aspects of the letter including, but not limited to:

- The letter may go beyond the role of the BOF in collaborating in a positive way with the BOE.
- The length of the letter.
- Inaccurate information that may be confusing.
- Letter should come from the BOF and the BOS
- The need to stress that we want to work with them.
- Stress the need for compliance with State Statute regarding the Capital Non Recurring Fund
- The need for clarification regarding deficits, Capital
- Regarding the potential sale of property, clarification on where the proceeds from potential sale would go is important.
- The need for the BOF to be part of the discussion with the Auditor when the audit is presented to the BOE, as a participant, not audience member.

Virginia Carmany indicated that there were no inaccurate statements.

Richard Strauss commented that the new Superintendent, new legislation and actions to further encourage collaboration among districts may result in the opportunity to create a Joint Finance Committee that would approve representatives from the Town. This would allow for accountability in the financial operations of the Regional school system.

Lauren reported that the increased discussion between the BOF and Region 4 resulted in positive changes over the past year.

There was a comment “to request to date stamp and footnote reports” that might be considered “heavy handed”; though it was one of his concerns.

Lauren reported that during the Region 4 Budget Hearing, Capital is never discussed. The public never hears how Capital relates to the budget and funding for same. Virginia’s letter suggests strongly that the Capital should be discussed openly with the public during the budget process. Lauren and Jamie indicated that it would be appropriate to signify that the Selectmen were in agreement with the letter through stating that in the first sentence.

Virginia expressed the importance of having a written record of what had transpired between the BOE, Administration and BOF. Brian White needs to be aware of the issues raised by the BOF relative to Region 4. The intent of the letter is to have the concerns of the BOF documented so that they can be addressed with the understanding we would like to work together with Region 4.
The BOF and BOS thanked Virginia for her due diligence and development of the letter and indicated the cover letter was well written, balanced in tone, clear and concise.

Virginia will incorporate the edits to the document, as a result of the BOF discussion.

**On a motion made by Rick Nygard and seconded by Jon Joslow the Board of Finance unanimously agreed to approve and send this letter with the discussed edits incorporated. (Letter, with edits, attached at the end below)**

**Update – Consideration of Cafeteria Fund Analysis by Auditor**
As a result of the Cafeteria audit, the BOF retained the auditor to expand upon his findings. Peter reached out to his counterparts in Essex and Deep River and they both declined being part of the process. Virginia discussed the matter with Lon Seidman, Chairman Essex BOE, and Kelly, Essex Finance, to discuss her understanding of the Essex cafeteria fund deficit. At that meeting, Kim Allen was present and expanded upon the fact that the entire school system needs to review the structure of the cafeterias within Region 4 and how it allocates costs to the various schools. Ms. Allen reported that the new Superintendent would be reviewing the process further. Note that staffing of cafeterias has not changed; however, the enrollments have declined significantly. Also, the structure of cafeteria reporting would be changed to clearly demonstrate the direct and indirect costs of the cafeteria. An analysis would be completed every two months. It was expected that the cafeterias deficit would be reduced through better management.

Virginia reported that the new Superintendent of Schools has requested a meeting with all of the Chairmen of the Boards of Finance.

Virginia sent an email to the BOF Chairmen of Essex and Deep River. She will attend the next Deep River BOF meeting. She will follow-up with Essex as she has not received a response from the Essex BOF Chair.

**AUDIENCE OF CITIZENS –** None.

**ADJOURNMENT**
On a motion made by Jennifer Rannestad and duly seconded by Michael Joplin, the meeting was unanimously adjourned at 9:56.

Respectfully Submitted,

Suzanne Helchowski
Clerk
Date: July 22, 2019

To: Brian White, Superintendent Region 4 District
    Jennifer Clark, Chair R4 Board of Education
    Lon Seidman, Chair Supervision District
    David Fitzgibbons, Chair Chester Elementary Board of Education
    Kim Allen, Business Manager, Region 4 District

Re: Areas of Concern and Opportunities for Joint Effort

The Board of Selectmen, Board of Finance and I appreciate the progress that has been made to produce a better understanding of the Region District 4 (R4) and Chester Elementary School (CES) finances and budgets for ourselves and the citizens of our towns. Several steps have been taken over the last year that have and will enhance our understanding through improved reporting. These include: bi-monthly R4 and CES budget to actual reports, building upon student enrollment projections to include expenditure projections, establishing a facilities committee and starting to build a Non-recurring Capital project list, facilitating consistency regarding how student enrollment numbers will be reported, while awaiting more transparency regarding the cafeteria fund revenue and expenditure budgets including the anticipation of the reduction of annual cafeteria deficits and enhanced clarity in its reporting.

However, there is much more to understand and additional work to do regarding education budgets, policies and processes by which they are decided and the information used by the boards in making those decisions and finally to work toward improved accuracy and clarity in the presentations that go to the Boards of Selectmen, Finance and the public.

We request that you acknowledge a need to find a balance between education spending and providing a level of excellence in our Education system. Property values and education go hand in hand in attracting people to our towns. Consequently, we have tough decisions to make given the level of our CT State funding, our internal cost structures and our ability/inability to raise our grand list(s) to cover the costs of running our town(s). If we are unable to understand our education budgets or afford them, then we are failing in our ability to make the best overall decisions affecting not just education, but our infrastructure and services to our overall population. We, the boards of finance are the elected officials charged with ensuring accountable financial governance for our population. Thus, understanding all expenditures directly and indirectly impacting our towns is our prime responsibility.

We would like to continue improving our understanding through timely responsiveness and clarity with respect to a) presented student headcount and how it may define staffing at the Elementary, Middle School and High School levels, b) allocation of expenditures via ADM, c) detailed student and budget projections, d) compliance regarding management of Non-recurring
Capital expenditures and e) the interaction with both the Boards of Education and the Superintendent’s office and perhaps in conjunction with the other two towns.

Attached is a list of the various issues that arose before during and after this year’s budget process and our recommendations.

We look forward to an opportunity to work with all responsible parties regarding the specifics of these concerns and your consideration of incorporating our recommendations for the benefit of all the member towns.

Respectfully,

Virginia Carmany, Chair, and the following Chester Board of Finance members

Richard Nygard, Jon Joslow, Jennifer Rannestad, Richard Strauss and Michael Joplin

Cc: Lauren Gister, First Selectwoman, Chester
Norm Neddleman, First Selectman, Essex
Angus McDonald Jr., First Selectman, Deep River
George Eckenroth, Chair, Board of Finance Deep River
Keith Creehan, Chair, Board of Finance Essex
2018/19 Chester Board of Finance Outstanding Concerns:

- **Capital:** Region 4 has been in non–compliance with State Statute Section 10-51(2) approved in 2006 regarding a Capital Non-Recurring Fund project list and anticipated expenditures to be presented as part of the budget and approved by the towns and taxpayers.
  - Capital expenditures of public funds should be authorized by a transparent process that includes prior approval by parties charged with that responsibility and disclosed and sent to the Towns for a vote rather than at the end of the year through a vote to transfer funds to cover the expenditures and resultant deficit with surplus funds from the current or following year.
  - A policy should be developed and implemented to approve the release of funds for specific expenditures and a report to track capital authorizations and expenditures in order to address possible overages before the year ends, perhaps quarterly.

- Region 4 utilized over $400k from a ‘Sinking Fund’ to purchase land without any prior disclosure (since there was no non-recurring capital project list with an estimated acquisition expense) or justification for the purchase, nor has there been any disclosure afterward to explain why it was value add for the district.
  - Policy and procedures are an integral part of financial oversight and unfortunately the policy regarding surpluses was not followed. The policy was and is to return the full surplus to the member towns, however for 3 or 4 years (or more) the surpluses were divided 50% to be kept by R4 and the other half returned to the member towns while the capital fund had a deficit. The portion kept was put in the ‘sinking fund’ and ultimately used for purchasing the ‘Mislick’ property without any disclosure or approval of this capital investment by the Towns or consideration by the public within the budget referendum.
  - A Statement should be provided by R4 to Boards of Selectmen, Boards of Finance and member town taxpayers outlining why this purchase was necessary, how much was spent, including legal fees, how the property will be used in the future etc. If no clear future use has been or will be identified, determine, disclose and recommend what other future actions could be made as part of the non-recurring capital budget process.
  - Additionally, it would be appropriate that the consideration of selling of the Falls River parcel be part of the capital non-recurring capital project budget and disclosed and approved by the member towns as part the budget in conjunction with disclosure of how the proceeds of the sale would be handled per State Statute and/or policy.

- **Audit Report:** Year 2017-2018 Audit report released in May 2019 showed the year ending with a combined $378k deficit in 3 major fund categories: Capital, Cafeteria, Grant Revenue with no official reporting or explanation to the member towns as outlined by the Auditors as a component of specific financial statements required as part of the annual budget meeting.
  - Recommend addressing ‘internal controls’ and material weaknesses in procedures and controls as identified as a deficiency in the 2018 Audit.
o Recommend an Audit report presentation to Board of Education before Supervision District begins the budget cycle with an invitation to the member Towns’ Boards of Selectmen and Boards of Finance.

o Recommend an analysis of the Cafeteria Fund and bringing costs in line with State averages so that Cafeteria costs are reduced and do not continue as a financial risk to the towns.

o Revise the policy and procedure of returning a surplus from the General Fund when there are deficits. Any deficit should require an additional appropriation if it cannot be covered by a transfer in the same year not through transfers of funds from the General Fund in the following year. ADM shifts skew the allocation of these deficits if they are financially being covered if across years.

o Recommend ensuring that transfers to cover deficits are considered with full knowledge of the financial status of the final yearend financials.

o A specific report to the towns regarding the 2017/18 Audit findings and specifically, how the three deficits came to be and possible remediation steps as partially requested in our June 4, 2019 Request to Table letter to R4 Board of Education.

- **Class size history and projections by grade or program**, a major determinate of costs, is not clearly presented nor compared to the general standards/guidelines for class size or specific disclosed program requirements.
  
  o In the Elementary Grades expected and historic enrollment by grade should be a major determinate of educational resources and presented accordingly.
  
  o At the Middle School and High school levels, historic and expected enrollment in various programs/classes vs. by grade might change the metrics, but an analysis needs to be included in any meaningful presentation regarding the budget requirements.
  
  o Headcount across various presentations was inconsistent and did not match the Oct 1 ADM reported to the State.
  
  o Recommend reports be date stamped and footnoted if presenting a subset or variation.
  
  o Recommend headcount projections be created, as in previous years utilizing an outside consultant who in turn could utilize information from the individual schools if properly documented to reduce any unintentional subjective inclusions or exclusions.

- **Student Enrollment Projections and corresponding projected budgets** was a major early request prior to the budget process. This request is a result of Chester realizing the value of preparing capital projects out 10 years and operating expenditures out five years. Since Education expenditures represent 70% of our total budget (excluding Elementary School capital) it was the next step to request some preliminary projections of both student enrollment and associated costs for the following 4 years.
  
  o We received some numbers and realized that the combined preliminary education costs would be steadily increasing our taxes by 2-3% annually while CES enrollment was functionally flat and R4 Enrollment was declining 17% over the next 5 years.
  
  o We request a deeper and more detailed explanation of these numbers.

- **The movement of funds and resources from the local BOE budgets to the Supervision District** is justified where efficiencies and educational consistencies between towns is essential.
o However, the initial reporting was presented inaccurately creating much consternation.

o Wide variances between budget years as a result of these staffing transfers/reductions pose a concern that it will not be possible to track and understand over time and will function to obscure and confuse rather than bring clarity and transparency in year to year variances.

o Initial requests to the Administration went unanswered and then requests for support from R4 Board of Education were ‘ignored’ since it was not their responsibility.

o Significant financial resources reside in the Supervision District (approx. $7.7M) with no direct oversight or involvement of the member towns. We request a specific budget presentation and Q and A to gain some direct understanding of the Supervision District Anticipated Budget and perhaps a quarterly review of actuals to budget variance analysis meeting.

- We recognize there is a tremendous amount of information – policy, procedures, financials, curriculum, state statutes, mandates etc. that must be condensed into the scheduled meetings. The financial information alone with a combined $38M plus Budget is significant. Perhaps a joint Board consisting of Board of Education and Board of Finance members to oversee and coordinate the financial aspect of this Education District would be beneficial.