

**MINUTES OF THE FINANCE COMMITTEE OF THE WHOLE MEETING
HELD VIRTUALLY JANUARY 19, 2021 AT 7:00 PM**

Board Members Present: Anthony Perugini-Chair; Adam Grippo-Vice Chair; Kathryn Hallen-Secretary; Faith Ham, Anne Harrigan, Andrew Martelli, Timothy White

Administrators Present: Jeffrey F. Solan, Ed.D., Superintendent of Schools; Marlene Silano, Assistant Superintendent of Schools; Vincent Masciana, Chief Operating Officer

Public access made available through live streaming the Cheshire Public Schools YouTube Channel at www.youtube.com/cheshirepublicschools. Public comments were accepted at CPSCovid19@cheshire.k12.ct.us.

1. CALL TO ORDER – 7:00 P.M.

- A. *Roll for Quorum.* The roll was called and a quorum determined.
- B. *Pledge of Allegiance to the Flag of the United States of America.*
Mr. Grippo led the group in the Pledge of Allegiance to the Flag.

2. AUDIENCE

None.

3. PUBLIC BUDGET REVIEW AND DISCUSSION REGARDING SUPERINTENDENT’S RECOMMENDED BUDGET.

Mr. Grippo asked Mr. Masciana to begin his presentation. Mr. Masciana said at tonight’s meeting, there will be a budget overview of the budget process, assumptions, Revenue and Account Summary, Employee Salaries and Employee Benefits. He noted the Board’s budget must be forwarded to the Town Manager by February 15th. The budget is grounded in the district’s initiatives of social emotional learning and complex thinking.

Mr. Masciana reviewed the Key Budget Assumptions:

- Projected enrollment for the 2021-22 school year will decline by 18 students to 4,052.
- PK- Grade 6 increases by 85 students, Grades 7-8 decreases by 45 students, and Grades 9-12 decreases by 58 students.
- The addition of two elementary school teachers is included in the budget, and class size goes from 17.8 to 18.3 on average.
- There are no COVID-19 costs included in this budget request.
 - A supplemental budget of \$1.13M is being presented as a contingency because we cannot predict how this the pandemic will progress. We also don’t know how much federal funding we may receive.
- A significant increase is needed to fund the Medical Benefits accounts.
 - \$1.87M that is needed represents 48.2% of the requested budget increase for 21-22.

- The reserve fund dropped from \$2.8M as the year began, to \$970K as of 12-31-20 due to a budgeted contribution rate that was below expected claims, combined with extraordinarily high monthly YTD claims (\$800K vs. \$1.1M).
- Contributions need to increase in 21-22 to fully fund the expected claim rate.
- Special Education enrollment costs are consistent with 2020-21.
- Tuition Outplacement & Pupil Services are flat, IA hours increase modestly.
- There is a modest increase in Operations and Maintenance driven by higher maintenance needs for our aging buildings.

Mr. Masciana reported that the potential net total COVID-19 related costs to the Operating Budget is \$1,133,800, assuming the pandemic continues as it is today. He said there will be discussions with the Town Manager and also the Town Council regarding setting up a special account for these expenses.

Regarding the supplemental COVID-19 budget, Mr. Masciana said he spoke with the Town Manager because the Town will have the same issue. Mr. Kimball spoke about setting up some type of reimbursement account for the Town and the Board of Education. He said there will be further discussions with the Town, but it is ultimately the Town Council's decision.

Ms. Ham voiced her concern with high claims and asked if \$1.1 million in claims per month is our new normal. Mr. Masciana said the projection we received from USI says we don't have to budget \$1.1 million next year. They are showing a renewal of about \$900,000 per month. He said this evening, he will review past years and you will see the cycle. He said he hopes it is not our new normal; the rolling 12-month average is showing \$900,000 per month, so that is the amount that we need to increase our budget. There is also increased premiums for Stop-Loss built into the budget as well.

Mr. Perugini said, by the time we need to adopt the budget, we should have an idea if we will have a supplemental account and how it would operate. Mr. Perugini asked if we will have two motions for two budgets – the operational and a supplemental account. Mr. Masciana said he would like to have two motions. He said the Board will need to have more discussions with the Town Council.

Mr. Masciana reviewed the 2021-22 Projected Revenue of \$ 10,397,360. The largest reimbursement is \$9,339,412 from the Educational Cost Sharing Grant. Revenue is budgeted for the Town; it is the gross amount the town is expected to receive. Without the revenues, the tax burden to the average Cheshire resident who owns a home and two cars assessed at \$223,552 would be \$829 higher per year. Cheshire's per pupil expenditure is on the low end of DRG B districts at \$17,075. Cheshire receives above-average Educational Cost Sharing (ECS) revenue. We rely on that revenue from the

State. The reason the ECS grant is as high as it is, is because the prison population is included, which is about 1,500 residents with no income.

Mr. Masciana reviewed that the 2021-22 Budget Recommendation is \$78,487,052, this is an increase of \$3,893,126 or 5.22%. The budget request by category is:

- Salaries, 63% (\$49,250,432)
- Employee Benefits, 17% (\$13,706,128)
- Support Services, 9% (\$6,997,747, includes Transportation)
- Instructional Expense, 6% (\$4,584,484, includes Special Education)
- Maintenance and Operations, 5% (\$3,948,262, includes Utilities)

Fixed Costs are 95% of our budget and include Salaries, Benefits, Transportation, SPED, Utilities, Heating & Energy Contract Payments and Facilities Cleaning, Maintenance, Supplies & Repairs.

Variable Costs are 5% of the budget and include Other Professional Services, Instructional Supply, Textbooks/Software, Rentals/Leases, Computer Capital Equipment, Other Services, New & Replacement Equipment, Staff Training, Property/Liability Insurance, Telephone/Internet Services, Testing, Curriculum & Adult Ed Supplies, Office and Other Supplies, Library/Periodicals/Media, Travel/Conferences, Dues, Fees, Mailings and Communications, and Misc. Supplies.

The requested budget increase by category is as follows:

- Salaries, \$49,250,431 (2.32% Increase = \$1,117,672)
- Benefits, \$13,706,128 (17.58% Increase = \$2,049,035)
- Maintenance & Operations, \$3,948,262 (10.34% Increase = \$370,036)
- Support Services, \$6,997,747 (4.20% Increase = \$282,063)
- Instructional Expense, \$4,584,484 (1.65% Increase = \$74,320)

Employee Salaries

Mr. Masciana said that the union wage increases for the 2021-22 school year average 2.40%, which is a bit lower than what we have seen in the years leading into 2021-22.

Certified Salaries make up 49.6% of the Budget. The total increase requested is 2.17%. This includes Teachers, Administrators, Directors and Supervisors, Substitutes, Student Activities, Homebound Tutors and Adult Education. This includes the two elementary teachers who are included in this request.

		EXPENDED *	BUDGET	PROJECTED	REQUESTED	CHANGE	% inc/ % dec
		2019/20	2020/21	2020/21	2021/22	(FromBGT)	
110	ADMINISTRATION	\$ 556,595	\$ 564,570	\$ 564,570	\$ 581,873	17,303	3.06%
111	DIRECTORS/SUPERVISORS	\$ 643,162	\$ 689,486	\$ 689,486	\$ 694,746	5,260	0.76%
112	PRINCIPALS/ASST PRINCIPALS	\$ 1,961,899	\$ 2,006,245	\$ 2,006,245	\$ 2,048,296	42,051	2.10%
113	TEACHERS	\$ 32,637,509	\$ 33,292,427	\$ 33,292,427	\$ 34,038,999	746,572	2.24%
114	SUBSTITUTES	\$ 689,593	\$ 645,000	\$ 645,000	\$ 645,000	0	0.00%
115	HOMEBOUND	\$ 323,049	\$ 225,000	\$ 225,000	\$ 225,000	0	0.00%
117	STUDENT ACTIVITIES	\$ 493,051	\$ 590,953	\$ 590,953	\$ 601,622	10,669	1.81%
118	ADULT EDUCATION	\$ 84,566	\$ 101,814	\$ 101,814	\$ 108,296	6,482	6.37%
	CERTIFIED SALARIES	\$ 37,389,424	\$ 38,115,495	\$ 38,115,495	\$ 38,943,832	\$ 828,337	2.17%

Non-Certified Salaries make up 13.1% of the Budget. The total increase requested is \$289,335. This account consists of salaries for Instructional Assistants, Secretarial & Clerical, Support Personnel, Maintenance Employees, Nurses/Therapists, BOE Bus Drivers and Managers and Supervisors.

		EXPENDED *	BUDGET	PROJECTED	REQUESTED	CHANGE	% inc/ % dec
		2019/20	2020/21	2020/21	2021/22	(FromBGT)	
116	INSTRUCTIONAL ASSISTANTS	\$ 3,022,911	\$ 3,121,369	\$ 3,121,369	\$ 3,263,092	141,723	4.54%
119	MANAGERS/SUPERVISORS	\$ 290,900	\$ 337,821	\$ 337,821	\$ 346,179	8,358	2.47%
120	SECRETARIES	\$ 2,003,670	\$ 2,145,271	\$ 2,145,271	\$ 2,213,250	67,979	3.17%
121	CUSTODIANS	\$ 902,311	\$ 993,612	\$ 993,612	\$ 1,005,315	11,703	1.18%
122	MAINTENANCE	\$ 701,159	\$ 805,039	\$ 805,039	\$ 827,155	22,116	2.75%
123	SUPPORT	\$ 1,623,859	\$ 1,743,402	\$ 1,743,402	\$ 1,764,898	21,496	1.23%
124	DRIVERS	\$ 369,311	\$ 356,391	\$ 356,391	\$ 363,842	7,451	2.09%
125	HEALTH SERVICES	\$ 476,621	\$ 514,359	\$ 514,359	\$ 522,868	8,509	1.65%
	NON-CERTIFIED SALARIES	\$ 9,390,742	\$ 10,017,264	\$ 10,017,264	\$ 10,306,599	\$ 289,335	2.89%

Mr. White said he is concerned with students not having a “normal” year and asked what can be done next year, as far as staffing is concerned.

Employee Benefits

Employee Benefits are 17.5% of the budget, \$13,706,128 is requested, which is an increase of \$2,049,035. They are requesting \$10,617,983 for Medical Benefits, which is an increase of \$1,877,509 over last year’s budget.

		EXPENDED *	BUDGET	PROJECTED	REQUESTED	CHANGE	% inc/ % dec
		2019/20	2020/21	2020/21	2021/22	(FromBGT)	
201	MEDICAL BENEFITS	\$ 8,116,491	\$ 8,740,474	\$ 8,740,474	\$ 10,617,983	1,877,509	21.48%
202	LIFE INSURANCE	\$ 72,692	\$ 72,714	\$ 72,714	\$ 73,046	332	0.46%
203	DISABILITY INSURANCE	\$ 37,983	\$ 35,472	\$ 35,472	\$ 35,472	0	0.00%
204	PENSION/RETIREMENT	\$ 972,022	\$ 1,096,089	\$ 1,096,089	\$ 1,144,627	48,538	4.43%
205	WORKER'S COMPENSATION	\$ 343,743	\$ 387,344	\$ 387,344	\$ 390,000	2,656	0.69%
206	UNEMPLOYMENT COMPENSATION	\$ 107,345	\$ 25,000	\$ 25,000	\$ 100,000	75,000	300.00%
210	SOCIAL SECURITY	\$ 1,299,452	\$ 1,300,000	\$ 1,300,000	\$ 1,345,000	45,000	3.46%
	TOTAL EMPLOYEE BENEFITS	\$ 10,949,728	\$ 11,657,093	\$ 11,657,093	\$ 13,706,128	\$ 2,049,035	17.58%

Mr. Masciana reviewed our self-insured plans include:

- High Deductible Plan with HAS - Luminos HSA; Rx is integrated into the plan and managed by Anthem.
- HMO Plan (Changed to self-insured 7-1-2015) - Rx is managed by PBIRx
- PPO Plan (Co-pay Plan) - Rx is managed by PBIRx.
- Elements Choice Plan - this meets the adequate and affordable coverage requirements.
- Dental Plan - Employee cost share, up to 70% of premium and covers dependents until age 19.

Mr. Masciana said the requested increase for Medical Benefits is \$10,617,983 or 21.48%. He gave a very detailed presentation explaining the requested increase.

Category	2021-22	% of Total
Funding for Claims	\$10,786,936	83.5%
Stop-Loss Premium	1,026,800	8.0%
HSA Contributions	637,163	4.9%
Administrative Fees	374,817	2.9%
Employee Waivers	78,151	0.6%
Employee Assistance Plan/Wellness	8,127	0.1%
Total before Employee Contributions	\$12,911,994	
Less Employee Co-share & Retiree Payments	-\$1,794,011	
Less Expected Stop-Loss Reimbursements	-\$500,000	
Medical Benefits Budget	\$10,617,983	

Mr. Masciana reviewed the historical trends of the medical benefits reserve fund. He noted that we lost quite a bit of our reserve balance over the last two years. He explained that contributions are controllable, but claims are not. The \$1.1 million monthly claims were not predicted this year. Our monthly contribution is \$800,000. We began the year with a healthy \$2,817,007 reserve balance, and because of high claims, the balance as of December 31, 2020 is \$970,187. The goal is to have 2-3 months of claims in reserves. The reserve balance has decreased to below 2 months of expected claims as of December 31, 2020 due to higher than expected monthly claims in 2020-21. He expects claims for January through March will decrease because employee deductibles are kicked back in to the Reserve Fund. He explained, starting from 2017, we decreased our contributions because we had a healthy reserve balance. With lower contributions since 2017, and historically high claims this year, the result is a reduction in the reserve fund. Mr. Masciana reviewed funding history for the Reserve Fund and Stop Loss Reimbursements.

Mr. Grippo asked if Mr. Masciana is confident that we will receive the \$500,000 in Stop-Loss Benefits and the \$1.1 million monthly claims will not continue. Mr. Masciana answered that the \$500,000 is a projection; it is the average over the last five years. He said there have been some very high-cost claims that are running through from last year and there does not seem to be as many high claims this year as last year. He said the high claims are not unusual and it historically happens every 5 years or so. The typical ailments of diabetes and hypertension are driving the claims. Another factor is the high costs of drugs. Mr. Grippo asked if the risk analysis is adequate. He said he is concerned the \$1.8 million is not enough. Mr. Masciana said there is risk, but he thinks the \$900,000 contribution is adequate for next year and the stop-loss premiums have been increased by 15%. He said he can have our USI representative present to the Board, as he is the expert.

Mr. White questioned if they have looked at demographics, specifically if our workforce has aged in the last few years. Mr. Masciana said he can ask USI to look at that, but, young does not always translate to lower claims. Mr. White asked if self-insurance is still a good choice. Mr. Masciana said that claims are claims. If we pay a third party to provide the service, pay the claims and then take a profit, it will be more expensive. We would also be charged premium increases each year. Ms. Ham asked if we should shop the prices again. Mr. Masciana said they do every year. Last year, CIGNA could not come close to meeting the price. She also asked how long it will take to build the reserve back up to 2-3 months of reserves. Mr. Masciana responded that this budget does not build up the reserve, it only keeps us even. If we want to mitigate our risk, we would have to increase the budget request. She said she is just as uncomfortable as Mr. Grippo.

Mr. Martelli said this is such a large part of the budget and such a wild card. He asked what happens we run out of money. Mr. Masciana said, if we run out of money mid-year, we either find money in other parts of the budget or request emergency funding from the Town. There was discussion regarding self-insured vs. fully insured policies. Mr. Masciana said when we were fully insured, we had the same problem with premiums going up 20%.

Mr. White inquired about the wellness program and if it was part of employee contracts. Mr. Masciana answered, no but it is a great suggestion.

Board members thanked Mr. Masciana for all of the historical data he provided. Mr. Grippo said they will consider having our representative from USI, our insurance consultant, provide more information to the Board if needed.

Pension

Mr. Masciana said there has not been much change since last year. Pension comes in two forms. The Town of Cheshire Plan, for those hired pre-2012, has 90 employees. The contribution last year was \$864,627. The second plan for those employees hired after July 1, 2012 is the Defined Contribution Plan. That plan has 172 employees and the contribution last year was \$280,000. Teachers and Administrators fund their own plans

through salary reduction to the Connecticut Teacher's Retirement System. Due to the 2007-09 economic and market declines, contributions to the pension plan were increased based on actuary recommendations. Future return assumptions were previously reduced from 8.25% to 7.5%, requiring additional funding. He said we are phasing in a reduction down to 7.0% by 2021-22, as recommended by our actuaries.

Mr. White asked if the Board can buy out pensions. Mr. Masciana said he doesn't think we can do that as it is not in accordance with Plan document but he will confirm that. Ms. Ham asked Mr. Masciana if he could provide a breakdown of the entire portfolio balance. Mr. Masciana said he will get the information to the Board. Mr. Grippo asked at what intervals we reassess with the actuaries. Mr. Masciana said an update is done every year, but a more thorough valuation is done every 2 years.

4. **ADJOURNMENT**

On a motion by Ms. Ham, and seconded by Ms. Hallen, the meeting was adjourned at 10:00 p.m.

Respectfully submitted,

Anthony Perugini, Board Chair

Attest:

Carol K. Jesensky, Board of Education Clerk

Filed at the Town Clerk's Office, Town Hall, Cheshire: January 29, 2021.