

**EAST HAVEN PUBLIC SCHOOLS
FINANCE SUBCOMMITTEE MEETING
EAST HAVEN HIGH SCHOOL BOARDROOM
35 WHEELBARROW LANE
EAST HAVEN, CONNECTICUT 06513**

**TUESDAY, JANUARY 5, 2010
7:00 P.M.**

PRESENT: Mrs. Maisano, Mr. DeNuzzo, Mrs. DePalma,
Mr. Hennessey, Mrs. Kluth, Mr. Pompano and
Mrs. Vineyard

ABSENT: Mr. Palladino and Mr. Scalesse
Mrs. Acquarulo, Director of Pupil Services

ALSO PRESENT: Mr. Serio, Superintendent of Schools
Mr. Meoli, Assistant Superintendent
Mrs. Forti, Assist. Supt. of Curriculum & Instruction
Mr. Lathrop, Business Administrator
Mrs. Lewis, Finance Manager

1. OPEN MEETING

Mrs. Maisano called the Finance Subcommittee meeting to order at 7:09 p.m. in the Boardroom at East Haven High School. She then passed out a Mission Statement she had prepared. It read as follows: "To maximize educational dollars for the benefit of all the children while minimizing the financial impact to the taxpayers of the Town of East Haven."

4. Discussion Regarding *Race to the Top (RTTT)*

Mr. Serio spoke about the Connecticut State Board of Education applying for federal funds in the *Race to the Top* Grant which was a \$4.35 billion education reform program enacted as part of the American Recovery and Reinvestment Act of 2009 (AARA). They had gone to a workshop this afternoon where the Commissioner of Education went over the application process. The Commissioner was looking for the school districts to support the State in this initiative and try to get into the first round of funding. There was

a Memorandum of Agreement that needed to be signed by January 11, 2010 so the State could apply by January 19, 2010.

There was discussion on what the grant entailed and how much the State of Connecticut would receive. Mr. Serio explained the application process and how the State would like to have three signatures which included the Superintendent, Chairman of the Board and the President of the Teacher's Union on the Memorandum of Agreement. There was discussion on whether the Teacher's Union would agree to sign because of the possibility of merit pay increases being part of the agreement. The State after receiving the signatures puts in the application.

Mrs. Forti explained the four goals outlined in the State's Reform Plan which were Adopting Standards and Assessments to Prepare Students to Succeed in College and the Workplace, Data Systems to Support Instruction, Recruiting, Rewarding and Retaining Effective Teachers & Principals, and the fourth was Turning Around the Lowest-Achieving Schools. Mrs. DePalma asked if there was a cost to this. Mrs. Forti stated there was no cost to us. They would be required to use the money in very specific ways based on required initiatives and applications. There was discussion on Secondary Reform for high schools and the increased rigor of high school standards and the additional math and science requirements.

Mr. Serio explained the amount of money over a four-year period would be \$500,000. He recommended they sign the memorandum of agreement and support the State in their application and see where the chips fall. Fifty percent of the monies would go to the districts and 50% would go to the State. Not every district that applied would automatically get the money and they could pull out at any time. There was some discussion on merit pay and that this might create an issue with the State's Teachers' Unions.

5. Preliminary Discussion Regarding Budget 2010-11

Mrs. Maisano asked Mr. Lathrop how he had come up with these numbers. Mr. Lathrop explained that he was looking for feedback from the Board on whatever questions they may have regarding the budget. He wanted to go over the analysis of their benefits line which would increase by \$800,000 for the next year with the biggest number coming from the self-insurance fund. There was a draft renewal from Anthem with a 10% increase based upon claims history. Mr. Lathrop stated given they were also budgeting for an increase in their premium cost shares offsetting some of that increase, they had an increase of \$600,000 right out of the gate. There was some discussion

whether they should shop around but Mr. Lathrop stated the Town and Board worked together cooperatively and both pay into the same fund. There was also discussion on why the Board had 12 medical plans and it was explained that this was because of the retirees, different unions having a couple of plans offered and people being grandfathered in. They were trying to consolidate as they go through negotiations.

Mr. Pompano suggested doing what they had done in the past regarding buy-backs. Mr. Lathrop stated that currently it was not in any of the collective bargaining units, but he would look into getting that information to them. Mr. Meoli stated this had to be about seven or eight years ago. Mr. Hennessey thought it made sense to do this and Mrs. DePalma felt this was a huge area they needed to look into. Mr. Pompano thought that East Haven had a very competitive premium from Anthem and it was based on usage and claims. Mr. Lathrop stated they were addressing this issue through the collective bargaining process and he suspected they would see a lot of progress in this over the next nine months.

Mr. Hennessey stated this \$9 million made up about 20% of their budget and with it growing at 10% eventually this would “break the bank”. Mr. Hennessey spoke about how companies did not have to hire people who were overweight or smoked. He felt they should offer employees such things as Planet Fitness for free. They should try and hire and maintain physically fit employees. Mrs. DePalma talked about sick days being another huge factor that needed to be addressed. Mr. Lathrop stated they needed to focus on going forward and they were expending resources right now in the Finance Department to make sure it was straightened out. They were putting this as a high priority. They were trying to go forward with a single medical plan. Cost control was one of the issues and the first step was to put it out to bid. Prior to putting it out to bid though, they needed to get their own house in order.

Contracts that were up for negotiation this year were the cafeteria, nurses, secretaries, custodians, and in the fall it would be the teachers. The only group that was all set was the administrators. Mrs. DePalma stated she was chair of negotiations and should know about this. Mrs. Kluth also wanted to be part of this and asked to be notified when these were taking place.

Mr. Hennessey felt they only needed to go out to bid on the management part of the insurance plan. There was discussion on the Medicare Plan and everyone going into the same plan because this group was growing.

Mr. Lathrop spoke about Worker's Comp and felt they might save some funds there if they were premium insured instead of self-insured. Right now they were at a 10% increase. This was a \$41,000 increase.

Mr. Lathrop spoke about the existing certified staff and how salaries were funded by grants and the general fund. There was about a \$1 million increase representing about 5.35% raise with the step increase. Mr. Hennessey stated they were looking at \$2 million dollars in increases. They needed approximately 5% in increases just for these two items.

Mr. Lathrop stated he would like to have everyone's feedback as far as budget expectations. Mrs. Maisano wanted to know if these two were the only two items they would be receiving on the budget. Mr. Lathrop stated the principals had given them their requests and they were currently in the process of plugging those numbers in and he was not able to speak at length right now about the budget. Mr. Pompano stated this was approximately \$30 million of the \$43 million in the budget. Mr. Lathrop stated the other major request would be for repairs and maintenance to properly maintain all of their buildings.

There was extensive discussion on the closing of one of the schools because there were too many schools. They did not want to lose any programs or services but wanted it done in fewer buildings. There was conversation regarding grade reconfiguration and the need for public input. Mrs. DePalma thought this would not only save money but they would be able to put that money towards the instruction of children. Mr. Serio stated they had worked on several scenarios. He spoke about closing a building and leaving it vacant for a year or more because once you vacated a school, it would need to be brought up to code in every factor if you wanted to use it as a school again which was quite costly.

There was discussion on the principals' "wish lists". Mr. Serio did not think they could reinstate what they lost in one fiscal year. These two line items showed an increase of 5%. Mr. Serio suggested he work on reducing the budget with his administrators and bring it back to them with a number that would not knock them off their chairs. Mrs. DePalma and Mrs. Maisano suggested that they work with a budget that was zero-based to justify your budget and build it from nothing. This way they could justify each and every number.

There was further discussion on the possibility of moving the Academy into one of the other schools and moving 6th grade back into the Middle School.

Mr. Hennessey felt that these two items made up $\frac{3}{4}$ of the budget and they needed to deal with them now. The more they ignored them, the farther out they go. He said how the administrators had taken a zero percent increase and the teachers were getting a 5.35% increase. Mr. Pompano thought that closing a school would net them a big chunk. All of the Board members at this point were having conversations. Mr. DeNuzzo suggested that they speak one at a time in order to take the minutes.

Mr. Serio suggested this be discussed under facilities and they could share what they had with the Board. Mrs. Maisano suggested they have a special meeting regarding this. There was discussion on how closing certain buildings may not be feasible because of the many different projects that may be less than 10 years old and thus leave the Town on the hook paying that back on a pro rata basis. Mr. Lathrop suggested some research needed to be done. Many scenarios were discussed as far as closing certain buildings and moving programs. **Mrs. Maisano mentioned she had requested the numbers and comparables as far as the square footage of the Pathways/Adult Education buildings from Mr. Lathrop back at the November 24th meeting. Mr. Lathrop stated the information had been handed out to the Board members but they did not have comparables from ten years ago and comparables from ten years ago did not matter because they were not accurate when the leases were renewable at 2010-11 and 2011-12.**

Mr. Lathrop went through what they had discussed tonight in terms of the budget.

- Figures were given regarding the Teachers' Contract and Medical Benefits and the 10% assumption which was an aggressive number
- Look into contract negotiations, incentives, opt-out payment for medical, as well as subsidizing a health club initiative or something else
- Look into closing a building which he was unsure they would be able to do because of the budget and the timeframe they have. The process should run parallel to the budgetary process.
- Requested ideas, percentage increases or programs the Board would like to see in or out.

Mr. Lathrop had given them these two numbers was to give them a heads up that they were looking at the biggest numbers in just these two lines and the second aspect was did it stir or shake loose any ideas that they as Board Members would like to try and address.

Mrs. Maisano explained that it was difficult to ponder ideas with just this. They needed to see the whole budget. They wanted the total database with every single teacher that totaled that number, what school, and what they teach. Mrs. DePalma stated they need to justify what they were asking for. They needed the “needs list” first to make sure every building functions. Wish lists were silly – it had to be justified. Mr. Serio explained they had asked the principals to put down what they needed vs. the fixed amount and it was about \$35,000 which was not a huge amount.

There was discussion on concessions and furlough days. Mr. Hennessey thought they should ask the teachers union for concessions and five furlough days but not for four months like last year which was embarrassing. Mr. Lathrop stated they were at 4.6% with the Town possibly saying “zero”. Mrs. DePalma said that that was what everyone was saying all over town. Mr. Pompano pointed out the cost-saving measure they discussed tonight was closing a building. This was one less principal, custodian, secretary and food service in that building as well as a savings in heat and electricity. Transportation was questionable. Mrs. Maisano stated it would be interesting to see what Mr. Lathrop had on the 12th. Mr. DeNuzzo asked what the savings would be with two furlough days with 300 teachers. This would come to around \$90-100,000 per furlough day. Administrators would be more than that.

Mrs. Maisano asked Mr. Lathrop if he was going to propose a full budget on the 12th. Mr. Lathrop stated yes.

2. Review of General Ledger for BOE, Little Jackets Program, Whitsons & Grants

There was discussion on what the Board had actually wanted to see tonight. Mr. Lathrop had prepared the actual account structure in order to explain to the Board members what each account was and how each was used. **Mr. Lathrop stated if they wanted a printout of every transaction, he could get that to them, but they needed this to see how each worked.** Mrs. Maisano said a chart of accounts did her no good whatsoever. **She wanted a general ledger of accounts from July until December giving her the transactions that had occurred in the general ledger and they wanted numbers.** Mr. Lathrop stated it would be hundreds of pages. Mrs. DePalma said they wanted the four big general ledgers. Mrs. Lewis said she thought they were looking for a trial balance.

Mrs. Maisano talked about the grants and how they had no beginning balance. It only had the grant revenue accounts. Mr. Lathrop stated he had not given them that, but he would now that he knew exactly what they wanted. Mrs. DePalma said the Town had a report of all monies and how it was spent from July 1st through December 31st. Mr. Lathrop explained that the general fund was detailed and summarized to them on a monthly basis. Mr. Lathrop spoke about the timeline and how this would be given to them.

The Little Jackets Program was discussed next. Some of the questions were as follows:

- Q. How many students were in the Little Jackets right now?
A. There were 30 in the a.m. and 30 in the p.m. There were also before and after-school.
- Q. What was the charge for each student that was in this program?
A. It was different for different programs.

Mrs. Maisano said she would like to see a ledger for that. She would like to see charges for service and the revenues. Mr. Lathrop stated he could go get that for them.

- Q. Why was payroll higher in July than in October?
A. In the summer they were open all day.

Mrs. DePalma would like to see a ledger for the Little Jackets.

Mr. Lathrop stated it was his hope to inform the Board on a monthly basis of our operations in a general sense.

- Q. What was the total budget for the Little Jackets?
A. The expenses were curtailed to match the revenues based on enrollment. "X" number of 3-year olds and 4-year olds -- staffing adjusted upward or downward as her aftercare and before care has trickled off to reducing hours for a positive result of operations.

Mrs. Kluth stated that this provided a service for the community and the kids.

Mrs. Maisano stated the point was that there could be an increase in revenue if we did it the right way. Mr. Lathrop stated they would have to charge more. Mr. Pompano stated that it did not account for the Board absorbing the cost of running the building. Mrs. Maisano

stated that perhaps they could look into this and to have whoever ran this program make a presentation to see if there were any ways to grow the program and to tighten our belt on the program. There was discussion on needing to know how the money was being spent and how they needed a ledger.

Mr. DeNuzzo stated at about this time last year, Cathy Finkle, gave a presentation to this Board and the previous Board was more than satisfied with what they saw. He suggested that she could come in and give a presentation again on what the Little Jackets program was all about.

There was some discussion on what revenues were generated by the program and Mr. Lathrop reported that the amount was a little over \$500,000. It was a very simple program. Mrs. Maisano said they were missing the boat on it. Mr. Lathrop stated Mr. Serio's goal was to provide a quality and comprehensive pre-readiness program. It was a different fund of money that provided this school readiness for kids coming into kindergarten. Mrs. Maisano stated that they were not teachers and wanted to know how many teachers they had. This was not known. Mrs. Kluth felt that it was pretty much a wash. Mrs. Maisano disagreed with that because if they had to pay their utilities and their rent and own insurance.

Mr. Serio spoke about how the program had begun as one class and expanded over the years when they opened the Early Learning Centers. They had connected it to the Early Childhood initiative. They found that there were many kids not being services and parents who could not afford nursery school. For many students, it was their first educational experience. There were kids with zero vocabulary and they had aligned it with the Little Jackets Program when they had gotten a grant and certified all of the teachers and aides. He spoke about the programs at DC Moore and Adult Ed and how they had expanded to help the kids prepare for entering school.

Mrs. Maisano felt that it should be bigger than it was. **Mrs. DePalma wanted the pluses and minuses.** They had operated without a general ledger for a very long time. Mr. Lathrop asked who was telling her this. Mrs. Maisano stated that the general ledgers were being used only for expenditures. Mr. Lathrop stated that was something they had changed and they were going forward. The general ledger came up in the audit of 2007-08 in an effort to finish

the audit not being reconciled with the Town. They had implemented what the auditors had asked them to do. Mrs. Maisano asked if they had adopted this new policy from July 1, 2008 to present and Mr. Lathrop responded yes, the big stickler was the Board of Ed had too many manual checks and we were not posting revenue to our individual accounts.

There was some discussion on who was responsible for payroll and cutting checks for the Little Jackets Program. The Finance Office handled those items. Mr. Hennessey reported that he had heard they were bouncing checks and it was becoming embarrassing. Mr. Lathrop responded that it had not happened in the general fund and he hadn't received a complaint. Mrs. DePalma stated that this validates what they were asking for. Mr. Lathrop explained what the process was for cutting checks. Mr. Hennessey stated they were approving the bills here, paying them down there, and they the Board of Ed did not know if there was money behind those checks. Mr. Lathrop stated the Town controls the purse strings and it was normal that the Town and Board worked together. In an effort to quell whatever concerns they may have, Mr. Lathrop stated the Board of Ed was holding several hundred thousand dollars in checks that they were not releasing right now. The Town did not have the funds to meet those obligations. It was not strange for a town to slow down from a cash flow at this time of year.

Mr. DeNuzzo asked if there were any vendors in jeopardy of not supplying them. Mr. Lathrop stated they work with the vendors and had good relationships with them. They normally pay them anywhere from 15-30 days. They were floating between 45 and 60 days. Mr. Hennessey thought this was very unreasonable and it was insane. There was further discussion on checks bouncing and the fact that Mr. Lathrop truly was unaware of it. Whitson's from the last meeting was brought up and Mr. Lathrop reported that it had been addressed. The Board continued to talk about who handled the accounts and the bounced check. The Board of Education received the bank statements and would see it if it had bounced. **Mr. Lathrop asked Mr. Hennessey to check and make sure it was for the Board of Education.**

Mr. DeNuzzo asked what the insurance premium was right now. Mr. Lathrop responded that it was approaching \$700,000. It included worker's comp and medical self-insurance. They had cut checks on a

monthly basis and some of those were sitting there now. Would they make it for the rest of the year? Yes. They were currently in a deficit position right now, but again, they could mitigate those deficits. They would get a full report on the 26th as far as the general fund.

Mrs. Maisano asked if Mr. Lathrop was always in contact with the Town and if he kept a formal relationship with what he was holding, floating, and what he had. Mr. Lathrop responded that he spoke with Tommy twice a day.

Mrs. Maisano asked if they had paid Whitsons yet. Mr. Lathrop stated they had and they were at 30 days with them and that was his commitment with them.

3. Discussion of Audit Recommendations and Policies & Procedures

Mr. Lathrop reported that the auditors deliver a critical review of the procedures and policies for both the Town and Board of Ed on an annual basis. They were required to be delivered to the Board of Ed as to how these decisions were to be resolved. Diane Raymo had addressed these in writing and they had acted on these and would continue to move forward on them. The primary issue which was asterisked was for not accounting of revenues and just having our expenditures in our general ledger. This was changed in 2008-09. The cash vs. check collections was primarily from operations of what cash was for State and Federal reimbursements for the National Lunch Program, State breakfast program and the milk program. These items had been addressed.

Bank accounts were reconciled through June and by the end of August for review by the auditors. They were still reconciling with the Town. The auditors were waiting for one piece from our grant fund which would be completed by the end of this week. They had resolved the homebound rate with the union and they were working on the stipends closely. They had attempted to formalize the process of the payroll department so that all PAF's were done in the Finance Office. They were properly accounting for employee salaries and the rate of pay in their financial software package which was not done in the past. They were upgrading that software beginning in March and over to the whole full new software program for July 1st implementation. They were agreeing to disagree on a number of items that rested with the auditors. In their journal entries they needed to eliminate the errors. There was some discussion on the homebound rate and how it was paid. The audit would probably be available in two to three weeks.

6. Any other business that might rightfully come before this subcommittee.

There was no other business this evening.

7. ADJOURNMENT

Motion to adjourn was made by Mrs. DePalma and seconded by Mrs. Vineyard. Motion carries. Meeting adjourned at 10:04 p.m.

RESPECTFULLY SUBMITTED,

**MRS. CHRISTINE MAISANO, CHAIRPERSON
FINANCE SUBCOMMITTEE**