

**SHELTON BOARD OF EDUCATION
FINANCE COMMITTEE MEETING
FEBRUARY 15, 2012**

Arlene Liscinsky called the meeting to order at 5:05 p.m.

Pledge of Allegiance

Roll Call: Committee Members: Arlene Liscinsky and Mark Holden.

Absent: Win Oppel.

Also in Attendance: Allan Cameron, Director of Finance; Freeman Burr, Superintendent of Schools; Board of Education Members: Jim Oraziotti, Kathy Yolish and Jay Francino-Quinn (5:10 p.m.); SEA President, Deborah Keller, Judson Crawford, A&T; Lou Marusic, Director of Finance, City of Shelton and Chris Panek.

ACTION: Arlene Liscinsky moved to approve the agenda.
Mark Holden seconded the motion.

I. MINUTES OF THE FINANCE COMMITTEE MEETING OF JANUARY 18, 2012

ACTION: Arlene Liscinsky moved to approve the minutes of the Finance Committee Meeting of January 18, 2012.
Mark Holden seconded the motion.

II. REVIEW AND APPROVAL OF FINANCIAL REPORTS

1. Object Summary (L2) for 2011-2012 School Year

Al Cameron proceeded to review L2 dated 02/13/2012.

Salaries: Salary journal entries were completed through January. Teachers and administrators salaries were 48.5% expended compared with 47.9% at this time last year. BOE is over budget by \$174,759. "Other payments-Certified" is over budget at this time because the revenue from Pay-to-Participate has not yet been posted. Tutor expenditures appear over budget; however, none of the tutors have been booked off to the Title I or IDEA grants yet. Twelve per cent of the students are Special Education; therefore, approximately \$200,000 of tutor expense can be charged to IDEA.

The non-cert payroll was 56.1% committed vs. 58.0% at this time last year. This item is on track.

Benefits: Health, dental and life insurance and merit pension have been posted for January. It is expected that health insurance will end up very close to budget this year. Year to date dental insurance expense is \$165,000. January FICA and Medicare payments have not been posted. The City has charged the BOE \$156,625 for **unemployment** vs. a budget of \$32,738. BOE unemployment is budgeted in the City budget.

The BOE was billed in the amount of \$489,174.13 for **workers' compensation**. The budgeted amount is \$174,701. It was reported that three individuals had reached stop-loss and should no longer be covered by workers comp but by other insurance. Al Cameron was asked to write a letter to Tom Taylor at City Hall requesting that charges to the BOE should be discontinued for these individuals. He was also to request a three to five year history of workers comp costs incurred vs. the premiums paid.

Instructional Materials: 43.5% of the budget has been committed vs. 64.0% last year. The elementary schools have expended 50.4% of their budgets, SIS 61.7%, SHS 58.4%, and Special Education 59.8%, and Office of Instruction 26.0%.

Program Improvement & Staff Development: 112.9% of the budget was committed vs. 58.9% last year. Of the \$147,593 expended, approximately \$86,000 of the expended budget went to teachers who worked on the curriculum-writing committees. Three professional development days have been scheduled; and most of the expenditures have been made.

Tuition: \$1,669,438 has been expended through January 31. \$744,112 has been encumbered. All student outplacements have been encumbered. A recent mediation may add another \$30,000. Tuitions for VoAg, Aquaculture, CES, ACES and ECA were encumbered in December. Tuitions are over budget by \$201,000. Special Education private placements are over budget by \$352,000 and may qualify for the Special Education Excess Cost Grant.

Transportation: Buses are normally encumbered after October 1st to apportion the cost to the appropriate level. The encumbrances on the books presently have been rolled over from last year to allow the bills to be paid and will need to be adjusted for this year's rates and the October 1 census due to the absence of the Transportation Coordinator. Special Education transportation is overcommitted by \$383,486. The commitments have to be reviewed to determine if, in fact, they are over budget. If so, the excess may qualify for the Special Education Excess Cost Grant.

Mr. Oraziotti was concerned about the cost of hiring private buses for Sports and felt that the teams should be playing against local towns to keep down the transportations costs.

Administrative Expenses: 80.1% has been committed vs. 72.6 % last year at this time. Some non-instructional supplies have been ordered, and most of the dues and fees have been paid. The balance of the items is encumbered throughout the year. The budget for this family of accounts was adjusted downward by \$49,479 because of the closing of Lafayette School and the SHS accreditation process.

Heat and Utilities: The fuel and water budgets have been encumbered and need to be adjusted because they were copied over from last year. Year to date electricity usage was 7.0% greater than the three-year average because Perry Hill School consumes electricity similarly to SIS and not Lafayette. A credit from UI for \$87,000 was issued for overbilling and will be used to offset any overage from increased usage.

YTD oil delivery totals 74,643 gallons; three-year average is 100,862 gallons. Most recent price per gallon for #2 fuel was \$3.17 vs. budgeted 2.53. Diesel charge was 3.22/gallon vs. \$2.75 budget. YTD therm usage is 89,915 vs. three-year average of 101,796.

Building and Equipment Services: 72.8% of the budget has been committed vs. 81.5% last year. Service contracts and equipment rentals are encumbered.

Support Services: 129.1% committed vs. 88.1% last year. Transportation consultants and HRIS implementation are driving the overage in this category.

Equipment: 80.9% expended vs. 27.1% last year and 19.0% the year before. The purchases were mainly for furniture for the new computer labs for each school. Additionally, there were furniture replacements based on a list prioritized by the school principals and the Assistant Superintendent of Schools.

The 2010-2011 audit is finished. The auditor found issue with the \$212,000 internal service fund that the BOE established for health insurance. This topic is discussed under new business.

Athletic Account Balance as of 02/13/12 was \$197,618.66.

Parking Account Balance as of 02/13/12 was \$23,050.

Pay to Participate billed a total \$174,750 as of 02/13/12. The balance after adjustments and refunds is \$164,998.75.

The conversion from ADP to MINUS is well underway. The revised “go live” date is March 2, 2012.

ACTION: Arlene Liscinsky moved to approve the Object Summary (L2) for the 2011-2012 school year.
Mark Holden seconded the motion.

2. Check Registers and Cash Disbursement Journals

ACTION: Arlene Liscinsky moved to approve the Check Registers and Cash Disbursement Journals for December 8, 2011 (2011-2012); December 14, 2011 (2010-2011)(2011-2012); December 19, 2011 (2010-2011)(2011-2012); December 20, 2012 (2011-2012); and December 22, 2011 (2011-2012).
Mark Holden seconded the motion.

ACTION: Mark Holden moved to approve the Check Registers and Cash Disbursement Journals for January 5, 2012 (2011-2012); January 6, 2012 (2011-2012); January 11, 2012 (2011-2012); January 12, 2012 (2010-2011); January 19, 2012 (2011-2012); January 20, 2012 (2011-2012); January 23, 2012 (2011-2012); and January 27, 2012 (2011-2012). Arlene Liscinsky seconded the motion.

Petty Cash summary was handed out. Reconciliation to the City GM360L dated 02/06/12 was handed out for review.

III. OLD BUSINESS

Review Year-to-Date Expenditures – Discussed previously.

IV. NEW BUSINESS

1. Report on city Audit and BOA Meeting of February 9, 2012 (Re: Internal Service Fund)

Al Cameron handed out the following document that was presented to the BOA on 2/9/12. He read the document and explained to the new members of the board how the fund came to be.

(A)

Good Evening,

My name is Allan Cameron, I live at 307 Meadowridge Road in Shelton. I am the Finance Director for the Shelton Public Schools.

Mr. Capalletti and Alderman Anglace were kind enough to give me a "Heads Up" that the Board's establishment of an "Internal Service Fund" would be part of the discussion tonight. I thought I might be able to help you understand what the Board did and why.

First, I would like to explain that last year (2010-11) was the first year that the City and the BOE were self funded for dental insurance. That meant that while claims were still processed by Assurant, the City and the Board were only billed for the actual costs of the service provided to our insureds plus a handling fee; we were no longer billed as if we were fully insured. The risk/reward relationship was changed; the City and BOE would be "rewarded" with savings if actual claims were lower than expected; they would be "at risk" if actual claims were higher than expected.

We did not have any "actuarial" information to use to anticipate potential claims, so the Board used the amount budgeted for the year before when we were fully insured. The Board's actual experience was considerably better than anticipated, i.e. the Board did not spend \$212K that it had planned to spend for dental claims. The Board was concerned that could, at least in part, be due to "claims lag" that is claims are in the "pipeline" but not presented yet; we expected a 90 claim lag but this was greater than that.

The Board deliberated what to do; they asked me to research what other cities and BOE do that are self insured. I learned that the usual approach, a "best practice" is to take the savings, like the one we experienced, and set them aside in a "rainy day fund". This is called an "Internal Service Fund". The practice is to pay into the Internal Service Fund just like you would pay the insurer, when you have savings, you contribute, when claims exceed the budgeted amount, you withdraw from the Internal Service Fund.

As most of you know, an issue in the audit report is the unfunded Workers Compensation Fund; this year the fund was reported to have a cumulative deficit (since the City and BOE became self insured) of \$5.5MM; this is an example of what can happen when an "Internal Service Fund" is not established. For over a year we are working with the City to get better control of claims and to find a better way to anticipate and budget for charges for the next year – but that will be a subject for discussion during our budget hearing in March.

To insure transparency, the Internal service Fund was established at Wells Fargo Bank, the City's primary depository. The Board wanted to be sure that the City's financial staff, Mr. Marusic and Mrs. Scanlon, have the ability to monitor the account. On the advice of counsel, the fund was established by a resolution, approved by the BOE that limits its use to paying health insurance claims. (it is not restricted to dental claims).

I hope that this helps to clarify what the Board did and why they did it. If you have any questions, I know that you don't usually do Q&A from the floor; but I will be happy to talk with you individually or come to a Finance Committee meeting.

Thanks for your interest and attention.

UPDATE 02/15/12:

The following is a five year history of actual NET BOE Dental expense (taken from the audited year-end financial reports) based on being "experience rated and fully insured".

1. 2005-06	\$368,271.
2. 2006-07	\$368,517.
3. 2007-08	\$375,434.
4. 2008-09	\$361,017.
5. 2009-10	\$399,321.

The following is the actual experience in the first year as "self-insured".

6. 2010-11	\$180,984.
7. Actual claims through May, 2011, when this decision was taken,	were \$149K.

02/09/12

Allan explained that other BOEs polled considered this process as best practice. Arlene Liscinsky continued to explain the rationale and suggested that a report should be given to the board at the end of the year so they would be able to monitor the experience and adjust the amount as necessary. Arlene read the board's resolution on the subject. Mr. Orazietti felt there should be a cap on how much the fund can hold.

2. Report on Workers Comp-discussed previously

3. Report on Newsletter Survey

The Board of Education had requested a detailed accounting and rationale regarding the Newsletter survey. Freeman Burr handed out packets containing a report on the newsletter survey. He briefly reviewed the contents of the packet, the cost and proposal for the survey. He reviewed the history of the project supported by minutes of meetings where the project was discussed. Further discussion.

Mr. Burr indicated that the survey results were back, and it is to be determined how the results would be presented. Going forward, he will report on updates. Mr. Orazietti took exception to the fact that the survey was sent out with his name on it, and he had no knowledge of the survey or its contents.

4. Possible report on 403(b) Plan

Al Cameron wanted to know if the Board would like to be brought up to date on the status of the MetLife 403(b) program. The funds have been actively managed with good results. He thought the board might want to hear more at a Board Meeting or a Finance Committee meeting. Mr. Burr felt it wasn't necessary.

5. Possible Policies

a. Administrative discretionary money disbursement be allocated within the approving BOE tenure.

Mr. Orazietti felt that discretionary money should work within the term of the Board Members.

b. BOE budget process be worked exclusively within the elected BOE term.

Mr. Orazietti felt the BOE budget process, if possible, should revolve around the election calendar, and that the budget should be worked on by the Board being elected to office.

V. ADJOURNMENT

ACTION: Mark Holden moved to adjourn the meeting. The meeting was adjourned at 7:30 p.m.

Respectfully submitted,

Faith B. Hack
Recording Secretary