

Board of Education Questions re Budget (updated January 16, 2019)

- 1) Class size document - this has been updated and is attached. The low numbers in grades 3-4-5 are due to the departmentalization of math and language arts. This practice has resulted in improved student achievement in the past (attached).
- 2) \$11,000 decrease – The BOE may want to reduce that decrease by \$6,000 and place those funds in a music/instructional supplies account in case we need it next year for the elementary music program. Our plan is to purchase all needed instruments out of this year's funds. Adding \$6,000 to next year would be a cushion in case we need to buy more instruments.
- 3) Magnet Enrollments – We have provided the requested costs and enrollment number for our magnet programs (attached).
- 4) Curriculum line 57000 – The additional \$6,000 was for music program needs for next year... rentals and other needs for elementary and middle school.
- 5) Operations line 51350 – This amount was not increased from current year. In the past it was included in the general custodial account and is now in the Cust/Maint/OT account. These funds are used for additional summer work and other needs.
- 6) Operations line 56250 – Heat Energy has been increased as DMS is now propane and we do not have a baseline for those costs. This shift from electric in the 1975 wing to full propane in the new building results in a cost accounting shift. In addition, both DMS and WV have increased square footage. We will have reduced use at CO and WB but want to make sure we have covered the potential propane use. Once we have a year of data, this will be adjusted up or down in the future.
- 7) Maintenance line 51250 – The 100% line will be adjusted to 0%.
- 8) Maintenance line 53190 – This increase is due to asbestos monitoring and other items as listed on the summary sheet notes.
- 9) Maintenance line 54400 – This increase is due to graduation chairs, lift, and Bobcat estimated rental costs.
- 10) Technology line 51180 – This increase is for salary increases, new position last year, and needed summer work.
- 11) Technology line 53320 – In town travel may reduce this year due to tech staff being assigned to individual buildings. We will monitor this and make adjustments next year if the travel goes down.
- 12) West Vine Street School lines – Descriptions will be added to those lines.
- 13) West Vine Street School line 56100 – This item is up due to needs identified by site principal as part of the site discretionary formula funding.
- 14) Stonington Middle School line 51270 – This is for substitute paras in classrooms or as hall monitors for safety/security needs.
- 15) Stonington High School Athletics line 51330 – Added Teaching is where all coaching salaries are charged. The increase is due to contractual increases.
- 16) Health Insurance – We will discuss the health insurance payment and reserve process and recent discussions with the Town. Attached is the 1993 MOU setting out the process and an outline of the MOU issues for discussion.

- 17) Alternative Education Program – The initial staffing for this program includes one teacher and one tutor. That staffing will deal with all three programs: expulsions, special education, alternative regular education program. We will evaluate staffing as the year progresses. We may need to hire another teacher or another tutor if we bring more students back from non-public school placements.
- 18) Adult Education – We pay Norwich Adult Education Consortium \$68,004 every year to run the regional program. This expense is in our tuition line item.
- 19) Clerical – We are adding 1.0 FTE for the business/HR areas to provide for cross training in those areas. The 0.4 is from additional facilities and technology position from 0.6 to 1.0. We will save two part-time positions with the consolidation of the middle schools.
- 20) Custodial Staffing – There will be a reduction of 1.0 custodial positions due to the closing of the CO and WBSS. We will maintain the positions at DO/PMS until we know exactly what the needs will be at the new site. If the town or other entities use the building, we will negotiate terms for use including custodial and utility costs.
- 21) Retirement – For the past two years we have provided well over the \$60,000 for the retirement buyout fund. We will continue to use the ending balance to build up that fund. We are well ahead of what we need for the next few years to fund these obligations.
- 22) Heat Energy – The following is a list of utilities for each site:
 - a. DMS was 100% electric and will be propane heat and cool
 - b. WV is all natural gas but will have additional square footage
 - c. WB is natural gas
 - d. CO and MMS are oil
 - e. PMS and SHS are dual natural gas and oil but currently only natural gas is used
- 23) Medicare line 52240 – This is a reduction in some positions that were covered by Medicare for the total Medicare line in the summary. If one is looking at the detailed backup some Medicare accounts did not point to the appropriate accounts under Administration.
- 24) Operations line 54400 – The rentals under this line are the copy machines.
- 25) Teacher retirements – We will replace some of the retirement positions. First, however, we will move/transfer teachers. Therefore, some schools may show a larger salary line depending on how many new teachers were hired. We also added five new elementary positions. DMS received 1.0 additional 3rd grade teacher for departmentalization plus one Teacher-On-Special-Assignment. WVSS received 3.0 classroom positions for grades 3-4-5 for departmentalization.
- 26) Athletic Field Trips – The \$9,627 increase is due to transportation contractual increases.

Attachments:

- 1) Teacher Staffing Summary 2019-20 (class sizes)
- 2) Magnet School Placements 2019-20
- 3) MOU for Health Benefits 1993 (summary report to BOE)
- 4) Appendix A (showing reserve level at 138% of expected claims)
- 5) Reserve Account Agreement (original 1993 agreement)

Teacher Staffing Summary 2019-20				
Updated January 14, 2019				
School	Grade	Projected	FTE	Average
		Enrollment		Class Size
DMS	K	73	4	18.3
	1	73	4	18.3
	2	80	4	20.0
	3	67	4	16.8
	4	75	4	18.8
	5	81	4	20.3
Total DMS		449	24	18.7
WV	K	60	3	20.0
	1	60	3	20.0
	2	68	3	22.7
	3	57	4	14.3
	4	57	4	14.3
	5	59	4	14.8
Total WV		361	21	17.2
SMS	6-7-8	476	23	20.7
SHS	9-10-11-12	661	48.7	21.7
Total		1947		

Magnet School Placements 2019-20						
Regular Education		Name of Placement/School		Number of Students Enrolled	Estimated Annual Total Cost	
		Regional Multicultural Magnet		23	\$52,513	
		Dual Language and Arts Magnet		4	\$10,928	
		Marine Science Magnet		26	\$184,782	Average
		Three Rivers Middle College		4	\$24,638	Cost/Student
		Total		57	\$272,861	\$4,787.04
Special Education		Name of Placement/School		Number of Students Enrolled	Estimated Annual Total Cost	
		Special Education Magnet		9	\$68,893	
Total				66	\$341,754	\$5,178.09

MOU for Health Benefits 1993

Town of Stonington and the Stonington Board of Education

Paragraph one

The Town of Stonington and the Board of Education hereby agree to jointly self-fund the health insurance benefits extended to its employees. This alternative funding arrangement in no way will affect the benefits and carriers as stipulated and set forth in the respective collective bargaining agreements. The administrative account established by this agreement is designed to accommodate the financial considerations of self-funding these benefits by making assets available for claim payments and stop-loss insurance premiums and for establishing assets as a reserve for pending and unrevealed claims liability and/or to permit *assets* to be retained from one fiscal year to the next. Any such assets hereby held are to be used solely for the purpose of funding contractual health insurance benefits for the Town and Board of Education employees. Assets will be held in a designated Town depository as established by the Board of Selectmen. Such funds will be monitored and controlled by the Director of Finance.

The Board of Education is following this paragraph.

Paragraph two

The Town and Board of Education agree *to* jointly combine their budgeted appropriations *to* fully fund their combined liability to provide health insurance benefits for their respective employees. The budgeted amounts shall represent the expected claims liability of each group, plus the risk corridor thereby representing the maximum claims liability up to the aggregate stop loss attachment point, less any excess assets for the health insurance pending and unrevealed claims liability. Such assets shall be deposited into this account in accordance with past budgeting and financial practices of the Town and Board of Education in meeting its insurance premium needs.

The Board of Education is following this paragraph.
See Appendix A

Paragraph three

Statistical data shall be maintained to determine the actual claims experience, retention and administrative costs for each employee group. Although surpluses and deficits may occur within any particular class of employees, surpluses and deficits held in this account (as a result of favorable or unfavorable experience) shall be shared proportionately by the Town and Board of Education based upon the number of employees in each group compared *to* the *total* number of employees provided health insurance benefits.

The Board of Education is following this paragraph.

Paragraph four

All assets maintained in this account shall be invested in a manner to satisfy the anticipated liquidity needs to reimburse benefit payments. Any assets being held as a claims reserve may be invested in securities or other appropriate instruments in which liquidity is not a consideration in order to maximize investment earnings. All investment earnings shall be redeposited in this account for the purpose of offsetting the expenses of providing health insurance benefits.

The Town of Stonington is in control of the assets and so would be charged in following this paragraph.

Paragraph five

The Town and Board of Education shall maintain aggregate stop-loss insurance for protection from catastrophic claims experience and they may also wish *to* purchase specific (individual) stop-loss insurance. The stop-loss insurance premium, retention charges, and any other reasonable expenses to establish and maintain this account that are not assessed on a per employee basis, shall be allocated proportionately to all employees in which the expenses apply.

The Board of Education is following this paragraph. The Board of Education has both aggregate stop loss and individual stop-loss insurance.

Paragraph six

An annual reconciliation/accounting shall be completed by the Finance Department and subject to audit to verify the claims liability and expenses of the account. This reconciliation shall be used as the basis to budget health insurance expenses and liability funding for subsequent fiscal years

The Town of Stonington would perform this function.

Appendix A

A. Calculation of budget amount of health benefits

- i. Expected Med/Rx claims per year
 1. This cost is multiplied by a factor of 1.05% (five percent additional) to help fund any claims above the 100% level.
 2. The Board and the Town are responsible for 120% of projected claims as determined by Anthem.
 3. Brown & Brown, health benefit consultant underwriter, the last when the last meeting was held regarding 2019-20 calculations was comfortable with decreasing this amount from 20% since there were adequate funds in the reserve account. As of June 30, 2018 the reserve account balance is **\$2,478,606.**; plus
- ii. Expected Dental claims; plus
- iii. Administrative service Fees; plus
- iv. Managed benefit fees; plus
- v. Aggregate Stop loss fees; plus
- vi. Individual stop loss fees; plus
- vii. Commission; plus
- viii. HSA funding the Board provides to employees to help pay part of the deductible; plus
- ix. Payments in lieu of eligible employees not taking health insurance;
- x. **From the above is subtracted** what the Board is expected to receive from employees co-premium cost share and retiree payments

When all of the above are accounted for a grand total is established.

For the upcoming budget, 2019-20, only one-half of what was used from the self-insurance reserve fund for the 2018-19 budget was deducted from the GRAND TOTAL or \$346,619 versus \$693,237 in the current fiscal year.

The goal is to not deduct any funds from the reserve account in the 2020-21 budget.

ANTHEM projects current year, 2018-19, claims to be \$6,571,908 as a total for both the Town and Board of Education. The total liability per the ANTHEM agreement is 120% of projected claims or \$7,886,290. This means that the health benefit reserve account needs to have \$1,314,382. **As stated above, the reserve account as of June 30, 2018 was \$2,478,606. So for the current year the reserve account is funded at 138% of expected claims.** This is more than the liability of 120% even looking forward into the new year and the calculations used.

And there is an individual stop loss at \$125,00 and an aggregate stop loss at 120% of projected claims.

Town of Stonington and Board of Education
Self-Funded Health Insurance
RESERVE ACCOUNT AGREEMENT

The Town of Stonington and the Board of Education hereby agree to jointly self-fund the health insurance benefits extended to its employees. This alternative funding arrangement in no way will affect the benefits and carriers as stipulated and set forth in the respective collective bargaining agreements. The administrative account established by this agreement is designed to accommodate the financial considerations of self-funding these benefits by making assets available for claim payments and stop-loss insurance premiums and for establishing assets as a reserve for pending and unrevealed claims liability and/or to permit assets to be retained from one fiscal year to the next. Any such assets hereby held are to be used solely for the purpose of funding contractual health insurance benefits for the Town and Board of Education employees. Assets will be held in a designated Town depository as established by the Board of Selectmen. Such funds will be monitored and controlled by the Director of Finance.

The Town and Board of Education agree to jointly combine their budgeted appropriations to fully fund their combined liability to provide health insurance benefits for their respective employees. The budgeted amounts shall represent the expected claims liability of each group, plus the risk corridor thereby representing the maximum claims liability up to the aggregate stop-loss attachment point, less any excess assets for the health insurance pending and unrevealed claims liability. Such assets shall be deposited into this account in accordance with past budgeting and financial practices of the Town and Board of Education in meeting its insurance premium needs.

Statistical data shall be maintained to determine the actual claims experience, retention and administrative costs for each employee group. Although surpluses and deficits may occur within any particular class of employees, surpluses and deficits held in this account (as a result of favorable or unfavorable experience) shall be shared proportionately by the Town and Board of Education based upon the number of employees in each group compared to the total number of employees provided health insurance benefits.

All assets maintained in this account shall be invested in a manner to satisfy the anticipated liquidity needs to reimburse benefit payments. Any assets being held as a claims reserve may be invested in securities or other appropriate instruments in which liquidity is not a consideration in order to maximize investment earnings. All investment earnings shall be redeposited in this account for the purpose of offsetting the expenses of providing health insurance benefits.

The Town and Board of Education shall maintain aggregate stop-loss insurance for protection from catastrophic claims experience and they may also wish to purchase specific (individual) stop-loss insurance. The stop-loss insurance premium, retention charges, and any other reasonable expenses to establish and maintain this account that are not assessed on a per employee basis, shall be allocated proportionately to all employees in which the expenses apply.

An annual reconciliation/accounting shall be completed by the Finance Department and subject to audit to verify the claims liability and expenses of the account. This reconciliation shall be used as the basis to budget health insurance expenses and liability funding for subsequent fiscal years.

The Town and Board of Education may self-fund health benefits either through an insurance carrier or have claims adjudicated by a third party administrator with stop-loss insurance provided through a reputable insurance carrier.

This agreement between the Town and Board of Education establishing this health insurance reserve account shall be effective 11/1/93 and shall remain in effect until such time that all parties (Board of Education, Finance Board, and Board of Selectmen) mutually agree to amend or terminate such agreement.


Board of Education


Finance Board


Board of Selectmen