

From: Robert Tarlov  
Sent: Wednesday, February 14, 2018 5:53 AM  
To: James McNair  
Subject: Fw: Open Gov

James,

I noticed that all of the comments have been about transparency. BOF selected more than just the transparency as we believed effectiveness and efficiency could be achieved with the Reporting and Operational Performance module that could offset the cost of the software, and more. Not even sure now if the BOS members who attended the presentations realize that.

Below are the two functionalities that were recommended by BOF and funded in the budget.

Rob

Rob Tarlov, Chairman, Board of Finance  
860-608-4293

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**From:** jmcnair3 <jmcnair3@comcast.net>  
**Sent:** Friday, February 9, 2018 2:15 PM  
**To:** Robert Tarlov  
**Subject:** Re: Referendums - what does the voter approve?

Thanks

----- Original message -----

From: Robert Tarlov <BOFChair@colchesterct.gov>  
Date: 2/9/18 2:05 PM (GMT-05:00)  
To: James McNair <jmcnair3@comcast.net>  
Subject: Referendums - what does the voter approve?

Hi James,

To answer your question regarding what the voter approves at referendum, I provide the following on the Town Budget. The source document is the Charter.

In preparing the Town budget, BOF can add or remove line items in arriving at the bottom line for expenditures. BOF projects nontax income for purposes of setting the mill rate to bring in enough tax dollars so all revenue will cover the expenditure budget. For the most part that revenue comes into the general fund and is not designated for any particular expenditure. Grants and possibly part of the Excess Cost Reimbursement are exceptions.

The BOF sends the budgets to a The Annual Budget Town Meeting, date set by the BOS. The Town meeting can then accept the budgets as presented by adjourn to referendum for voters to act on.

Attendees at Town Meeting can vote to decrease the budget, but they cannot increase it. If they want to decrease the Town Budget, they must specify the amount and the department or departments the reduction comes from. They do not specify a line item, only a department.

At referendum, the voter is approving the total budget, which is a, cannot exceed amount. They are not approving line items.

Once the budget is approved, BOF sets the mill rate and then as long as each department is under budget, and the total budget is under, BOF has no control.

Transfers between departments (because a department is over budget) is recommended by BOS and approved by BOF.

The process for approving amounts not budgeted for, depends on the amount. If under 2% of the Town Budget, not including capital, transfers and debt service, then BOF approves after recommendation from the BOS. If between 2% and 3%, then after recommendations from BOS and BOF, a Town Meeting is set by BOS to for the voters to consider. If over 3%, then, after recommendations by BOS and BOF, BOS sets a referendum date for the taxpayers to vote on. Real Estate Purchases and Leases similar, but no referendum option.

I believe the question came up because of the opengov software. As stated above, although the software is one of the line items, the voter does not vote on each line item, so once a budget is approved, as long as spending stays under the total approved, the First Selectman in most cases controls what is actually spent. With the opengov software, the BOS must give the First Selectman authorization to sign the contract to move forward on the acquisition, but he does not have to ask for that approval if he decides not to spend.

I also note from the comments, people may not realize that although the future years do not have the implementation cost, it is not a onetime purchase as there is an annual cost for this software of about 12,500. I only hear people talking about this in terms of transparency software, but the additional capabilities of the software can improve efficiency and effectiveness, potentially offsetting the cost of the software if used by town employees.

Many people see the resistance of some to move forward as an attempt to avoid transparency. I have not heard any administrators or Board of Ed members make any statements against the software, nor to my knowledge, were any public statements made. I believe with the BOS members not supporting the software, it is because they do not see the expenditure for this software as a priority over other needs of the town in this time of financial stress. BOF is working with Opengov and the BOS to ensure that when the selectmen make their decision, it is based on the full knowledge of what the software can do, and what the net cost or net benefit is to the Town.

Rob Tarlov, Chairman, Board of Finance  
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**From:** Robert Tarlov  
**Sent:** Tuesday, February 13, 2018 6:50 AM  
**To:** James McNair  
**Subject:** CCW: Colchester Public School Trends Enrollment, Staffing and Funding

Hi James,

Just some personal perspective on some of the information you presented.

The difficulty in doing any time period comparison, is that the results can be very different depending on the start date and end date of the analysis. I used your starting year but used the 2016/2017 for the ending year as I don't have the breakdowns for the current year on the FTE's. The numbers below are from my research using what I believe to be reliable sources, but the numbers have not been vetted by town or school staff.

From 2010/2011 to 2016/2017, enrollment as defined as students in the Colchester classrooms, had declined 20%.

Certified positions, which include teachers, had declined 16%. Traditional teachers had declined by a larger percentage. Other positions dedicated to different segments with additional needs (social workers, language specialists, behavioral specialists, etc.) had decreased by a smaller percentage, stayed the same, and in some cases new positions had been added as needed, or mandated, to meet new needs.

Regular Ed Paras had decreased 26% (-11.25 FTE), but Special Ed Paras had increased 22% (+12 FTE).

The FTE's for some department positions increased by fractional FTE's, but the Town's decreased as BOE assumed a share in those positions costs as the town began to share resources, and they will continue to search for other shared ways to achieve efficiency. Other positions are not correlated to enrollment and in some cases as you pointed out, there is only 1 position providing certain services. Some positions are mandated. Some positions were added to handle a changing environment, such as IT.

Students attending schools outside of Colchester (Magnet, Tech, VOAG, Special Ed) are not included in our enrollment numbers, but their tuition and transportation costs are in the budget. The number of these students has increased and the tuition line item alone has increased by 70% (8.4% per year), while the rest of the budget has increased by 10% (1.4% per year). While these costs are up, State Reimbursement for Excess Cost and Transportation have decreased by 39%. There are also increased special education costs in other line items of the budget.

Some people divide the total budget (which includes tuition and transportation for students attending school outside) by enrollment to arrive at average cost, but fail to add the students attending outside of Colchester into the enrollment numbers even though we continue to pay for them in the budget.

On certified salaries, the average annual increase per position has gone up a little less than 3% per year, but that does not mean that is the actual increase for any given teacher, or even the average. To really understand compensation increases, one needs to know where retention of teachers and the decline in FTE's has occurred and how that has impacted the "steps" of the remaining work force. Compensation levels are based on steps (year of service) and educational degrees held or progress towards degrees, so there are annual automatic raises of a negotiated base as a teacher stays in Colchester, obtains degrees and moves through the steps. When teachers retire they are at the higher steps and that removes higher paid positions from the payroll. When teachers are laid off, these are generally lower paid teachers. If a lower paid teacher leaves and is not replaced, it makes it appear that the remaining teachers got raises as the workforce average increases, even if there would have been no actual pay changes. The STEPs are shown in the contracts on the BOE site.

In your conclusions you ask, "*Why benefits have gone up?*"

The cost of benefits has been flat over the last 4 years. The increases in cost in your analysis came before that and there were two primary drivers, the first the largest.

The first is when the Town first went to a self-funded plan (pre 2010), BOE was funding at 90% of expected claims projected, and the exposure was 125%. The reserves on hand would be too small to cover claims that might come in over 100% of projected amounts. Over the years we have saved a lot of money being self-insured, but when I got on the Board I expressed concern that by funding at 90%, our health insurance fund was underfunded and we were putting the Town's financial condition at risk. When the actuaries give us a number, on some of those years we will come in higher, and some lower. The town was assuming in their formula that every year would be 10% under. It took several years to get changes implemented to change that formula, and then several years to phase it in.

Benefit Costs have been managed with a change in plan to an HSA and an increased premium sharing by the employees. We also have less people covered under the plan. The BOE health insurance funding was 5,373,488 in 2013/2014 and is 5,353,368 in 2017/2018. In my business my group clients are experiencing premium increases from 28% to 53% in just the current year, and this after several years of 15 -25% annual increases, so in comparison to the insured world, our average cost increase per employee has been kept low.

Now that we have reached proper funding levels, over the last 4 years the problem has been volatility between the years, both up and down. We are changing the formula this year in an attempt to decrease that volatility. I think we started this when you were on the Board. This is going to increase the funding required during the phase in of the new formula. The plan was to make this new change over 5 to 10 years. The current year's claim experience has been favorable, and we should be able to accelerate the phase in quicker, perhaps all in the current year, with minimal impact on the budget.

The second factor in increased cost is the Affordable Care Act, adding administrative costs, additional taxes and new mandated coverages.

Also, Workmen's Comp has doubled in the period of your study, but it's only about 250K of the total.

Another question you asked was, *"Lastly, given the needs of the district, why has the BOE given back over \$775,000 to the capital fund rather than address one time spending needs like instructional supplies, building maintenance, technology or text books?"*

The BOE has not given back, the money is still the BOE's but there are restrictions as to how it can be used. This money is either being reserved for future anticipated needs or being used as needed. In 2017, \$117,960 was used for CES Mechanical Upgrades, Bacon Controllers and a Van Replacement. If we did not have that money in reserve, those items still would have needed to be paid for, most likely added to the budget.

The schools created a long term facility plan several years ago, and we are waiting for an update. I know the big ticket item in the original plan was the future replacement of the Bacon roof which needs to be reserved for. They pushed that out a number years with some mediation work since then. The BOE is also in the process of creating a long term technology plan for upgrade and replacement and these reserves will likely be used in that plan, too.

The unexpended amount for 2017 was 186,648. A lot of money. More than all but a few Colchester residents make in year, but on a 39.7M budget, it is less than ½%. (0.0047)

On the survey, ½ of the respondents indicated household income >100,000 and ½ under.

A married couple making 100k takes home 76,651, a single person 69,255.

On a 76,651 budget, having unexpended money at .0047, is \$ 360 per year or \$30 at the end of each month.

If, like the BOE, a homeowner needs to use that unexpended money for capital, how far would \$360 go for home improvements and maintenance? Likely the homeowner would need to add this amount to past and future years for an upcoming need. The BOE attempts to pay for smaller planned capital expenses in the budget, but repairs and replacements pop up unexpectedly. There are large future expenses that are expected, and in the capital plans for both the schools and town, we are planning for those expenses and putting money away in anticipation of these costs.

The homeowner's \$360 is a lot smaller than the schools', but so are the homeowner's unexpected expenses. If, as a homeowner, in the last month of the year, it looked like I have \$360 left at month end, would I go out and buy extra cleaning supplies, or tools, garden supplies, groceries, a tablet, still not knowing if some unexpected expense might come up wiping out that amount? As a homeowner I wait till the end of the year, and if I still have the available funds I use them at some future point.

In the old days of "use it or lose" it mentality, administrations would go out and buy things with little thought of need or best pricing to make sure they would have no unexpended money at the end of the year. Do people think we should go back to those days? A Town Policy was created to limit this activity and to provide funds for needed capital items that had been previously ignored, and for other items that would need to be funded in future budgets. Last minute purchases made quickly and haphazardly at the end of the year to ensure that no money is left unexpended does not benefit the taxpayers. If the 186K left in the 2016/2017 budget were to be used as a revenue item in the 2018/2019 budget as some have suggested, our ratings would be impacted as they were in the past. Instead we use them for capital items to keep those costs out of future budgets.

To sum up, asking why the budget goes up, even by a modest amount, when enrollment is declining is a legitimate question. One I asked repeatedly over a number of years before setting out to do my own research a couple of years ago.

The first reason, but not the major reason, is that there are more students in out of district tuition programs than 10 years ago. That is part of our declining enrollment numbers, however, the cost for their tuition (and in some cases transportation) is still in the budget, and as stated above, has increased significantly.

The second is the cost of special education. The number of students needing additional services, and the cost of those services have both increased, while the overall enrollment has declined. My understanding is that just under 20% of the students receive some level of additional services. The impact is seen in specific line items as well as in part of others, such as certified and classified salaries as well as benefits. Some of these costs have increased because the BOE believes these are services we should provide, and many others are mandated.

My calculations show, had we not had declining enrollment, the current budget would be over 50K and have gone up by about 5% per year in the period you show, rather than 1.75%.

To me, I think one question taxpayers must ask is, as the costs to meet special needs increase, do we pay for those additional costs with additional tax dollars, or do we reduce the amount we spend for the rest of the students?

Board of Education has been looking for, and has obtained new sources of nontax revenue as the state decreases their state aid in Special Education Excess Cost Reimbursement and Education Cost Sharing, but the second question is, do we increase taxes to replace the lost net nontax revenue, or do we cut non-mandated academic and athletic programs to cover the gap?

Again these are my views based on my knowledge and the interpretation of the information gained through personal research. They do not necessarily represent the views of BOE, BOF or administration.

Rob