

On 2/28/17, a meeting was held at the Coventry Board of Education Administrative Buildings, to discuss the Preschool MOA and related budget that has been presented to the Town Council by the Coventry Board of Education ("BOE") in regards to taking over operations of Coventry Early Childhood Center ("CECC"). Present at the meeting were: John Elsesser, Town Manager; Amanda Backhaus, Finance Director; David Petrone, Superintendent of Schools; Robert Carroll, BOE Director of Finance and Operations; and Mary Kortmann, Board of Education member.

A general discussion was held regarding the preschool fund and how the fund was to be handled in the BOE's current proposal. A revised budget and MOA have been submitted based on these discussions. The Preschool fund would be operated in the same manner as the Cafeteria Fund, in which all purchasing and payroll processing is completed by the BOE, and then submitted to the Town Finance Office for approval and release prior to payment. In addition, monthly operating reports would be received each month to be reviewed by management and the finance committee. No additional bank accounts would be opened.

In addition, it was noted that the BOE plans to closely monitor the preschool annually. Changes in enrollment, grant funding, tuition rates and expenditures will be monitored and addressed within the preschool funds. No BOE funds will be used to cover the costs of non-special education preschoolers.

Results of these conversations provided the following answers to proposed questions:

1) Please explain the Rent and School Readiness Rent items listed under expenses in the projected budget. To whom is rent being paid and where did the funds come from?

The 15/16 and 16/17 budgets presented contain both the School Readiness and Smart Start preschool accounts currently maintained by the BOE and the CECC budget. The rental income listed is the money that the BOE has been receiving since the preschool was relocated to the school. The rental expense lines included are from CECC - who paid rent formerly to the First Congregational Church and now to the BOE. Under the assumption the BOE would take over CECC operations, no rental income or expense has been presented in future budget projections - as they would be paying rent to themselves.

2) What percent increases in regular education pre-school tuition, Before/After Care Tuition and Lunch Bunch rates have you built into your projections? How did you determine this was the appropriate amount to include in your projections? How do the projected rates compare to those charged by private programs in the area? Does CECC have information that shows they were able to increase charges/tuition every year at the rate you have chosen?

Projections include a 3% annual increase to both the revenues earned (based on a projected increase in fees) as well as an increase in expenses for general inflation. This increase is based on a 20 year average.

Current daycare rates are determined based on family income - on a sliding fee scale as outlined by the State of CT School Readiness department. This is a very common scale for schools to use when charging fees. It is updated regularly by the State to incorporate change in income and poverty levels. CECC has based their tuition on this scale as well - in order to align better with the Town and not be in competition with each other.

- 3) What rates are being charged to regular education pre-school children not covered by the smart start or school readiness grants? Any and all fees/tuition received from any regular education expenses will flow into the pre-school fund and their use will be restricted to meet the needs of the total pre-school program.**

Regular ed kids are charged using the School Readiness sliding fee scale as noted in item #2. It is agreed funds earned from preschool will be used only on expenditures related to the preschool program.

- 4) How many children are there in the total pre-school program? How many children in the total program are not Coventry residents? What has CECC's historic number of Coventry vs Non-Coventry residents have they had in their program over time?**

As of October 1, 2016 there were 22 special education students, 24 Smart Start students, 15 School Readiness students, 29 private/non-profit students and 2 students from other towns.

When combined, total students are 53 part time (58 spot capacity) and 49 school day (60 spot capacity). There are currently 5 out of town students.

- 5) Please identify any and all expenses that you are not reflecting/accounting for in your projected budget. It appears that there is no allocation for:**

- **Use of the building** Custodial Services/Supplies and included in newly added administration line
- **Maintenance** Included in expense line "Custodial Services and Supplies", "Major Repairs" and various supply lines
- **Utilities** Telephone and included in newly added administration line
- **Administration** Certified Salary includes funds for the Program Coordinator Included in newly added administration line
- **Bookkeeping** Non-Certified Salary includes program secretary
- **Building insurance** No expense as building previously insured by BOE; similar to when rented from church
- **Business insurance (protect the district if a child is hurt, the program is sued, etc.** Covered by Town's CIRMA umbrella
- **Secretarial support** Non-Certified Salary includes program secretary
- **Marketing and advertising** Covered under Office Supplies
- **Office supplies and equipment** Covered under Office Supplies
- **Worker's Compensation and Social Security for non-certified staff** Covered under Soc Sec match and "Pension/WC" as well as Medicare for Certified staff

There may be others that I have not included in the above list. Please identify any additional items.

Other items could include, but are not limited to the following:

Internet Access
IT Support
Nursing Services (Paid by School Readiness Grant)

- 6) It seems clear that the district's financial obligation to any of the pre-school students ends with the special education children. That means that $\frac{3}{4}$ or more of the children are not the financial responsibility of the district. Therefore at least $\frac{3}{4}$ of all of the additional expenses must be paid by the remaining students. The district must not assume this responsibility on their behalf.**

This is acknowledged and agreed upon by all involved. Currently the grant funding and tuition covers these costs. The budget will be reviewed annually to ensure all non-special education costs continue to be covered by other revenue sources.

- 7) There are questions about the operational issues related to 1) who will be responsible for collecting tuition and fees, 2) does the Board propose opening their own bank account(s) and have the sole authority to determine how all funds are being spent, and 3) our Director of Finance has expressed concerns about decentralizing the accounting for the pre-school program.**

As mentioned above, the Preschool fund will be processed the same was as the Cafeteria. Purchasing and payroll will be processed by the BOE, then submitted to the Town for review and final payment. Receipts will be processed as they are now (through the preschool secretary) - which is delivered to the Town for processing. Monthly reports will also be provided to the Town.

- 8) Which, if any of the children in the entire pre-school program are reported to the State in the District's Enrollment numbers?**

The special education preschool students and the Smart Start students are included in the District's enrollment numbers. There are grant reporting requirements for Smart Start.

- 9) Which of the children in the entire pre-school program are included in Coventry's per pupil expenditure (NCEP) calculation?**

Special Education and Smart Start students are included on a "full-time equivalency basis".

- 10) How will the Reserve Funds for Capital Improvement be administered? What limits are there on uses of these funds? Who will make the decision as to how these funds will be spent?**

The Board of Education will administer the reserve for capital improvements. As with normal purchases, these items will be presented to the Town for payments, and included in monthly reporting. All expenditures must be related to the preschool program.

- 11) Please explain the Committed Pre-School Fund Balance line item. You reflect that you are projecting a \$25,750 surplus in 16/17 and then show your Committed Pre-School Fund Balance to be \$70,000. I don't see any beginning balance for this account. Are there other sources of funds that will flow into the Committed Pre-School Fund Balance?**

There is currently a preschool fund already set up for the Town's current program. At the end of FY16, there was a balance of around \$36k. Based on results of current year operation, the BOE expects to finish the year with a balance of around \$70k. In addition, any remaining funds in the CECC bank account will be transferred into the preschool funds and the account will be closed.

- 12) What plan do you have to continue the pre-school program if the Smart Start Grants are cut by the State in the future? As we discussed, it is my opinion that if you are running a competitive regular education pre-school program as part of the overall program, you should continue to attract those regular education pre-school children and satisfy the District's need to have our pre-school special education students educated with other regular education programs. In the past you have stated you would run a lottery and fill seats at no cost to meet this need. This makes no sense and is not an acceptable plan.**

Plans would be to adjust the tuition to market rates rather than continue with the sliding fee scale. In addition, expenses would be reviewed and adjusted. The BOE is aware grants can always be cut - and plan to monitor the preschool activity closely, including preparation of annual budget estimates, to ensure the program remains self-sufficient and no tax payer dollars are used.

- 13) The MOA is the same one that was submitted earlier. As we discussed, the Council would require that ongoing reports be made available to the Council so they can remain comfortable that the fund is operating properly, that all capital and related issues are being dealt with appropriately and that the Board of Education budget and/or funds from the general fund are not being used to subsidize the pre-school grant funded program(s) or the regular education program and the entire pre-school program can remain self-sufficient. The MOA language will need to be modified to reflect this and any other agreements reached.**

MOA has been modified.

- 14) The projected budget does not include revenue from the district/town budget related to our special education pre-school program. The assumption is that these revenues and the expenses directly related to these special education pre-school children will be reflected in the district's budget. I would like to make certain that any expenses related to the entire pre-school program that are carried in the district/town budget be highlighted so they can be monitored and make certain we are following any final agreement of the allocations of costs that we agree upon.**

- 15) I continue to recommend that the Board create a comprehensive statement detailing the reasons /benefits that are driving the Board's decision to be responsible for the pre-school license and the entire pre-school program. I don't believe this has happened to date.**

The BOE has included such items in the power point presentation presented in January 2017.

- 16) Are there any conditions/requirements related to state grants or Board's of Education that prevent them from taking on a for-profit/not for-profit business?**

No there are no limitations or legal concerns identified in connection with the BOE operating the preschool. Legal opinion has been obtained.