

# **Board of Finance January 14th, 2026, Regular Meeting Minutes**

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TOWN CLERK

# Minutes of Board of Finance January 14th, 2026, Regular Meeting - 01/14/26

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**Date and time:** 01/14/26 5:30 PM to: 01/14/26 7:29 PM

**Present:** Brooke Stevens, Rec Secretary (\* Ms. Stevens was not in attendance), Richard Steel, Scott McCallister, Lauren McNamara, Sandra Bullock, Kim Kalajainen, Barry Sheckley

**CC:** Dan Cunningham, First Selectman, Kevin Gervais, Finance Director, Eric Bauman, Board of Education Chair

**Location:** East Lyme Town Hall, Upper Conf. Room & Via Zoom

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## Topics

### 1. Call Meeting to Order & Pledge

**Note** Chair McCallister called the January 14th, 2026, Regular Meeting of the Board of Finance to order at 5:36 p.m. and led those assembled in the Pledge of Allegiance and did roll call; a quorum was present.

### 2. Public Delegations

#### 2-1. Anne Santoro of 11 Rose Lane

**Note** Ms. Santoro spoke in support of Olivia Fairchild's appointment to the Capital Improvement Plan (CIP) Committee. She highlighted Ms. Fairchild's extensive background in town government, including previous roles on the Board of Education and the Planning Commission. Professionally, Ms. Fairchild works in supply chain procurement and budgeting at Electric Boat (EB) and holds dual degrees in Economics and Business Management from Penn State. Ms. Santoro emphasized that Ms. Fairchild's experience with municipal budgeting and her professional business perspective make her an ideal member of the public representative for the committee.

### 3. Approval of Meeting Minutes

#### 3-1. Meeting Minutes of December 10th, 2025

**Note** see attached minutes.

 [Minutes of Board of Finance December 10th 2025 Regular Meeting 12 10 25.pdf](#)

**Decision** MOTION (1)

Mr. Steel moved to approve the Meeting Minutes of December 10th, 2025, as submitted.

Ms. McNamara seconded the motion.

Motion carried, 6-0-0.

### 4. Reports

#### 4-1. First Selectman

**Note** First Selectman Cunningham gave a report about the town's upcoming budget. He warned that the recent trend of raising spending by about 6% every year is unsustainable. He wants all the town boards to work together to find ways to slow down spending and manage the town's money more strategically, so the tax increases aren't so hard on the public.

Instead of just paying bills as they come, they want to use a strategic plan to manage the budget more like a business. He is meeting with every town Department over the next few weeks to trim their budgets before the final numbers are shown to the public.

## 4-2. Board of Education

### Note i. BOE Quarterly Report

**Note** Eric Bauman, BOE Chair presented a quarterly update focused on the preliminary 2026-2027 school budget and the Board's efforts to find efficiencies:

\*The Superintendent has proposed a 6.78% budget increase.

\*This number is difficult to reduce, 95% of the budget is fixed or non-negotiable.

\*Salaries & Benefits= 80%.

\*Utilities= 8%.

\*Special Education (Tuition/Transportation) = 8%; this transportation cost is specifically for special education, and not standard busing.

\*Only 5% of the budget is flexible (e.g., classroom supplies), and cutting here often results in teachers paying for supplies out-of-pocket.

**Note** The BOE is spending the next six weeks investigating specific areas for potential savings:

1. Transportation Audit- a detailed look at bus stops, student counts, and route efficiencies.
2. Software Licensing- reviewing seat licenses and software usage to ensure the town isn't paying for unused programs or duplicate services across different schools.
3. Class Size Analysis- the elementary/middle schools are currently stable at 20–23 students per class. For the first time, the BOE is conducting a detailed analysis of high school sections and student counts to identify potential consolidations.
4. Comparing East Lyme's metrics against other districts to find outliers in spending.

**Note** The BOE is attempting to minimize layoffs through:

\*Natural attrition- evaluating positions vacated by retirees.

\*One-Year contracts- utilizing hiring where certain roles are filled as one-year temporary positions, allowing the Board a second decision point each budget season without committing to permanent headcount.

**Note** Mr. Bauman requested that the Board of Finance and Board of Selectmen provide their presentation dates as soon as possible. Last year, budget discussions stalled other school business, and the BOE aims to finalize their calendar early to keep non-budget topics moving.

**Note** Chair McCallister inquired about the health insurance estimates, when they might have final numbers, and if there is a possibility that this 15% increase in health insurance increase may be lower.

**Note** Mr. Bauman highlighted some of the following:

\*Both the Board of Education and the Town are on the same state health insurance plan.

\*The BOE used the high-end estimate (15%) to avoid a deficit if the final state number is high.

\*More information is expected following a state-level meeting this week and the state typically finalizes the actual rate in April.

\*If the rate comes in lower (e.g., 13% instead of 15%), the BOE will not reallocate those funds elsewhere.

\*The savings (roughly \$90,000–\$100,000 for every 1% drop) will be returned to the town/taxpayers during the final budget deliberations.

**Note** Dr. McCallister requested information on the final staffing reductions made in the 2025 fiscal year to compare against the public warnings made during last year's budget season.

**Note** Mr. Bauman reported that while there were significant concerns about layoffs last year, most reductions were managed by shifting people around rather than widespread job losses. He explained that once budget cuts go beyond a certain point, small saving- like cutting computer software or a single bus route aren't enough to balance the books. Since 80% of the budget is spent on people (pay and benefits), any major budget reduction will eventually have an impact on staff positions.

**Task** ☐ He said the Board of Education will provide a report showing exactly how many teacher and staff roles were removed or changed during last year's budget cycle.

*Owned by Eric Bauman, Board of Education Chair*

**Note** Mr. Steel questioned the status of the one-year teaching positions.

**Note** Mr. Bauman replied that these roles are typically created to handle temporary spikes in class sizes that exceed district guidelines and because student enrollment mixes up every year (e.g., a large incoming kindergarten class vs. a smaller graduating 5th-grade class), these contracts allow the district to adjust staffing levels annually.

If a first-grade class is too large, a one-year teacher is hired. If the following year's incoming class is smaller, that position can be cut without the complexities of laying off a permanent staff member. Out of three temporary teachers hired last year, the Superintendent has already removed two of them from next year's budget plan to save money.

**Note** Mr. Steel asked about the status of the recently created non-lapsing fund (a carry-over account for school emergencies) and Mr. Bauman highlighted the following:

\*The fund currently holds \$230,000.

\*No money has been spent from this fund to date.

\*An unexpected item has surfaced that would be a logical fit for this funding, but the BOE will formally discuss this internally before presenting it to the Board of Finance.

\*The BOE Finance Committee is drafting rules regarding annual and cumulative limits for this fund to ensure it is used responsibly and doesn't grow indefinitely.

**Note** Mr. Steel encouraged the BOE to move away from traditional budgeting, noting that relying on health insurance estimates to lower the budget is no longer a viable long-term strategy. He urged a shift toward thinking out of the box to address unsustainable increases.

**Note** Mr. Bauman explained that many good ideas are often ignored during budget season because they take too long (18+ months) to implement and don't solve the immediate year's deficit. The BOE has launched a committee to look 2–5 years ahead. They are investigating changes to school operations and the use of technology to optimize the "one teacher per 20 students" model.

**Note** He invited the Board of Finance to share any big picture ideas that might take years to implement, so they can start the committee work now.

**Note** Ms. Kalajainen and Mr. Bauman discussed how union contracts (collective bargaining agreements) impact the town budget, specifically regarding employee salaries.

**Note** Ms. Kalajainen noted that a large portion of the budget increase is due to salaries for various staff, including teachers, secretaries, custodians, and nurses. Mr. Bauman explained that these contracts usually last 3 to 4 years and are on different schedules. For example, the teachers' contract is currently in its second year, meaning the rates are already locked in for the upcoming budget year.

**Note** Ms. Kalajainen emphasized that negotiating these contracts is a major financial responsibility for the town. Drawing from her experience in healthcare, she urged the town to have a more tactical plan for how these negotiations are handled.

**Note** There was a discussion about ensuring the Board of Finance is actively involved in these negotiations. Mr. Bauman confirmed they are always invited to participate.

**Note** The conversation continued with Ms. Kalajainen and Mr. Bauman looking for ways to handle the proposed 6.7% budget increase, 80% of which is tied to salaries and benefits.

**Note** Ms. Kalajainen suggested that if union contracts for teachers and staff are locked in, the town should look at the management and administration structure to find savings. She requested a "benchmark" study to see how East Lyme's management costs compare to other school districts.

**Note** Mr. Bauman clarified that in schools, most management (like Principals) are actually part of their own union. Only a few top roles- the Superintendent, Assistant Superintendent, and Directors of Finance, Facilities, and Student Services are non-union. He noted that reducing administration often pushes extra paperwork and discipline duties onto teachers, which takes away from student instruction time.

**Note** Ms. Kalajainen suggested that having leadership in a union is unusual in the private sector and proposed exploring "de-unionization." Mr. Bauman cautioned that administrator unions are standard across Connecticut schools and that pursuing this would be a very serious and different kind of legal/political conversation.

**Note** Ms. Kalajainen emphasized that the current trend of year-over-year budget increases is not sustainable for the town in the long run and that something must be done.

**Note** Ms. Kalajainen suggested that school administrators should be held responsible for cutting non-salary expenses by 3% to 5% annually. She argued that in the private sector, managers are expected to find these efficiencies to balance out mandatory salary increases from union contracts.

**Note** Mr. Bauman countered that cutting these non-salary items isn't as simple as it sounds. He argued that when the school budget for supplies is cut, the burden often falls on teachers or the PTA to pay for materials out of their own pockets, or they have to rely on the Education Foundation for help.

**Note** Ms. Kalajainen noted that there are many other non-salary expenses beyond just basic classroom supplies that could be reviewed.

**Note** The discussion shifted to Mr. Sheckley, who focused on return on investment and aligning student numbers with staffing levels,

**Note** Mr. Bauman explained that overall enrollment is relatively flat based on a 10-year study, but there are shifts. The high school is trending down (currently under 900 students), while the middle school is slightly higher.

**Task** ☐ Mr. Sheckley requested a 5-year comparison of student numbers versus staffing levels. He argued that if student populations drop, staffing costs should directionally follow that same trend. Mr. Bauman agreed to provide this data, noting he had already asked the Superintendent to overlay student numbers with staffing levels for the Board to review.

*Owned by Eric Bauman, Board of Education Chair*

**Note** Mr. Sheckley asked for clarity on what makes up the other increases in the budget and Mr. Bauman highlighted the transportation contract as a major factor, which is seeing a 7.55% increase in the first year of a new 5-year deal. He noted that while the number seems high, it was negotiated down from a 15% initial ask and is very competitive compared to other towns.

**Note** Mr. Sheckley pointed out that departments like the Library or Senior Center provide clear data on what the town gets for its money. He asked for similar outcome-based metrics for the \$65 million education budget. Mr. Bauman explained that the BOE uses the Accountability Index and District Reference Groups (DRG) to compare East Lyme's costs and achievement against similar towns.

**Note** Mr. Sheckley requested that as the budget process moves forward, the Board of Ed include specific metrics regarding student growth and benchmarks (such as Every Student Succeeds Act) to show the return on the town's investment.

**Note** Mr. Bauman expressed that he was not fully prepared for a deep-dive financial review, as he expected a brief quarterly update. He asked that for future meetings, specific questions be sent 24 hours in advance so he can provide precise data.

**Note** Dr. McCallister and Mr. Sheckley thanked Mr. Bauman for his time and acknowledged that the intense questioning stems from the Board's desire to be thorough in their role.

#### **4-3. Finance Director**

**Note** Mr. Gervais and the Board discussed the upcoming schedule for reviewing and finalized the town budget. The goal is to hand the completed budget over to the Board of Finance on March 11th.

Dr. McCallister asked everyone to look at the list of proposed meeting dates. Members have one week to check their personal calendars for any dates they absolutely cannot attend. He reminded everyone that they have to be flexible because finding an available meeting room in town can be difficult.

**Note** i. FY2026 Budget vs. Actual Reports

 [12-31-2025 General Fund - Budget v Actual - Revenues.xlsx](#)

**Note** Mr. Gervais provided a detailed update on the town's current financial standing, highlighting where the town is making money and where costs are rising unexpectedly:

\*Overall, the town's income is in pretty good shape.

\*Interest Income- the town earned \$918,000 (against a \$1.2 Million goal) because the Federal Reserve kept interest rates high. \*

\*Building Permits- on track to bring in about \$1.1 million, which is \$200,000 more than expected.\*

\*Real Estate Taxes (Conveyance)- already collected \$333,000 of a \$375,000 goal, due to several property sales in town.\*

\*Landfill Fees- revenue is high, which helps balance out lagging tipping fees (trash fees).\*

**Note** Several areas are facing high costs:

\*Technology (IT)- this is a major concern.

The price of computers and memory (RAM) has skyrocketed.

A computer that used to cost \$1,200 now costs \$1,800.

A police server alone is expected to cost over \$300,000.\*

\*Firefighter Overtime- this is the biggest problem in the budget.

With three firefighters out (military leave and workers' comp), the town must pay constant overtime to keep stations safe.

This could be \$300,000 over budget, though some of it will be covered by savings from not hiring part-time staff.\*

\*Fire Truck Maintenance- a 20-year-old ladder truck needs a \$600,000 refurbishment.

While expensive, it's much cheaper than a \$2.5 million replacement.\*

\*Legal Fees- costs are rising because the town is about to negotiate three union contracts (Police, Fire, and Dispatch).\*

\*Pensions- the required payment to the retirement fund came in higher than expected.\*

**Note** v. Tax Collector Report

Mr. Gervais noted that the town's tax collection rate is currently around 99%. While this is good, it leaves no margin for error, meaning the town must be very careful with its spending because there isn't extra tax money sitting around.

 [December Tax Collectors Report.pdf](#)

**Note** iv. Cannabis Tax Report

 [Cannabis Tax Report - January 2026.pdf](#)

**Note** Mr. Gervais highlighted the following:

\*The town has collected \$41,423 so far.\*

\*Collections are steady at about \$40,000 per week. He projects the town will have roughly \$74,000 by the end of the year.\*

\*The town has already approved \$25,000 in projects using this money, leaving about \$50,000 currently available in the fund.\*

\*He and Mr. Cunningham are looking into how to best use the remaining money.\*

**Note** vi. Fund Balance Projection

 [Fund Balance Projection 01-14-2026.pdf](#)

**Note** Mr. Gervais clarified that the Fund Balance is like the town's savings account. The town has a goal to keep this balance at 17% of the total budget.

He highlighted some of the following:

\*The town began the year in a strong position with an 18.6% balance.\*

\*The current budget includes a plan to use \$1 million from these savings. If the town spends every penny of that million, the savings will drop slightly below the 17% target.\*

\*He does not think the town will actually need to use the full million dollars since interest income and building permits are bringing in so much extra revenue, the town likely won't have to dip as deeply into its savings.\*

**Note** iii. FY2027 Budget Insights



**Note** Mr. Gervais also shared the following:

\*Credit Card Rebates (P-Cards)- the town has moved more spending (now up to \$450,000) onto town purchase cards. Because these cards give a small rebate (about 1.6% to 1.8%), the town actually gets money back at the end of the year the more these cards are utilized.\*

\*New Banking Services- the town is currently shopping for a new bank (RFP process). They interviewed six banks last week to find the best deal for the town's money.\*

\*Staffing- the Payroll Clerk recently resigned. Since the town switched to a new automated system (ADP), there is less manual work to do. He is looking into making this a part-time role or merging it with other jobs to save money in the upcoming budget.\*

**Note** Mr. Gervais briefly detailed the tax correction and associated w2 fix needed:

\*A technical error was found during the ADP setup regarding how health insurance was taxed.\*

\*For years, health insurance was being taken out after taxes instead of before taxes.

This means some employees overpaid their taxes, and the town needs to fix it.\*

\*The town is going back three years (2021–2023) to issue corrected tax forms (W2s).\*

\*This will cost the town about \$50,000 per year to resolve.\*

\*2021 is done, and they hope to finish 2022 and 2023 by March.

The problem is already fixed for 2024 and beyond, so it won't happen again.\*

## 5. New Business

### 5-1. Discussion and Possible Action – Board of Finance Bylaws

**Note** see attachment.

 [2023\\_12\\_13\\_EAST\\_LYME\\_BOF\\_BYLAWS\\_Approved.docx](#)

**Note** The Board discussed updating their official bylaws. It was discovered that several changes voted on by a previous Board in December 2023 were never filed with the Town Clerk, meaning they technically aren't official yet.

**Note** Mr. Gervais explained that although the Board voted to change meeting times and vacancy rules in 2023, the paperwork was never scanned or submitted to the Town Clerk. The official version on file is still from 2022.

**Note** The Board agreed that because this is a new Board with different members, they should vote on the changes again to ensure everything is properly documented and time-stamped for the record. One major addition to the bylaws clarifies how to fill a seat if a Board member leaves (a vacancy).

**Note** Ms. Kalajainen asked why the Board of Finance doesn't have alternates like other town committees. Dr. McCallister and Mr. Gervais clarified that like the Board of Selectmen, the BOF does not use alternates. If a member is just absent for one night, they aren't replaced; the vacancy rule only applies if someone permanently resigns.

**Note** The Board determined that the bylaws will officially change the meeting start time from 7:00 p.m. to 5:30 p.m. (which the Board has already been practicing).

**Note** Mr. Cunningham suggested that instead of approving new bylaws tonight, the Board should ratify the actions of the December 2023 Board. This confirms that all meetings held at 5:30 p.m. over the last year were valid, even though the paperwork was missing from the Town Clerk's office.



**Decision** MOTION (2)

Ms. Bullock moved to ratify the Board of Finance Bylaws from December 13, 2023.

Mr. Sheckley seconded the motion.

Motion carried, 6-0-0.

**Note** Ms. Kalajainen proposed a technical correction to the language regarding the Board's legal authority to ensure it is accurate. On page one of the bylaws, it states that the Board is responsible for arranging for an annual audit. The bylaws currently claim this specific power comes from Chapter 106 of the Connecticut General Statutes. She researched the statutes and found that while the Board does have the responsibility to conduct an audit, that specific rule isn't actually in Chapter 106.

**Note** Mr. Gervais did a quick search and confirmed that the audit requirement is actually in a different section (Chapter 111). Rather than listing every single chapter number (which could change or be missed), Ms. Kalajainen recommended simply removing the specific reference to Chapter 106.

**Decision** MOTION (3)

Mr. Sheckley moved to change the wording to "the Board shall have full authority to act as set forth in the Connecticut General Statutes."

Ms. McNamara seconded the motion.

Motion carried, 6-0-0.

**Note** Mr. Gervais noted that he will file the ratified and approved bylaws with the Town Clerk's Office.

**Note** see attachment.

 [2026\\_1\\_14\\_EAST\\_LYME\\_BOF\\_BYLAWS\\_Approved.docx](#)

## 5-2. Five Year Budget Outlook Projection

**Note** see attachment.

 [5\\_Year\\_Projection\\_Document.xlsx](#)

**Note** Mr. Gervais and Dr. McCallister presented a new long-term financial model designed to project the town's fiscal health through the year 2030.

**Note** The model uses current spending habits and contract trends to predict where the town's finances are heading:

\*Mr. Gervais warned that if current spending trends continue, a homeowner with a house valued at \$500,000 could see their annual taxes rise to \$14,000 by the year 2030.\*

\*The Grand List is expected to grow by about 1% this year due to new developments. Mr. Gervais expects this growth to slow down significantly (to about 0.25%) because of the current sewer moratorium, which limits new construction.\*

\*Based on current increases, the Board of Education budget alone is projected to approach \$90 million by 2031.\*

**Note** The model relies on several key assumptions for yearly cost increases:

1. Health Insurance

\*Projected to rise by 12% to 15% annually, which Mr. Gervais described as a frightening number.\*

2. Salaries

\*Board of Ed wages are modeled at a 5% increase, while town wages vary based on union contracts (some years include a freeze, while others include a 2.75% raise plus steps).\*

3. Pensions

\*The town is actively trying to move new hires from defined benefit pensions to defined contribution plans (like a 401k) to make future costs more predictable and less tied to stock market swings.\*

**Note** Dr. McCallister emphasized that this is a level-setting exercise. It is not a final plan, but a tool to help the Board of Finance scrutinize budget requests by showing the long-term consequences of today's spending.

**Decision** The Board committed to keep long-term planning at the forefront of their monthly discussions.

**Task** ☐ Mr. Gervais said he will continue to coordinate with Maryanna Stevens (Board of Ed Finance Director) to refine the school-side data within the model. This ensures the BOF has a complete picture of both town and school financial paths.

*Owned by Kevin Gervais, Finance Director*

**Note** The Board agreed that reviewing this model periodically is essential to understanding the long-term consequences of current budget decisions and identifying where changes are necessary to ensure the town's financial health.

## 6. Old Business

### 6-1. Appointments to CIP Committee

**Note** The Board briefly discussed the appointment of a citizen representative to the Capital Improvement Program (CIP) Committee.

**Note** MOTION (4)

Ms. Kalajainen moved to appoint Olivia Fairchild as the citizen representative for the Board of Finance on the CIP Committee.

Ms. McNamara seconded the motion.

**Note** Mr. Steel raised a point about the definition of a citizen representative. He noted that some other boards appoint town employees or board members to these "citizen" slots. He argued that for the sake of transparency, these positions should ideally be filled by members of the general public who aren't already on the town payroll or a major board.

**Note** Mr. Sheckley and Ms. Kalajainen raised concerns about the voting process within the CIP Committee. They noted that some members (like those from the Board of Ed) vote on their own budget requests, while other departments (like Police or Fire) do not have a seat at the table to vote for themselves. It was suggested that members should perhaps recuse themselves (not vote) when their own department's budget is being decided.

**Note** Mr. Cunningham stated that the mix of board members and citizens is designed to bring diverse talent to the table and that no single group has enough power to unfairly sway the entire vote.

**Decision** MOTION (4) Vote:

Motion carried, 5-0-1.

Mr. Steel abstained from the vote.

Olivia Fairchild is the citizen representative for the Board of Finance on the CIP Committee.

## 7. Public Discussion

**Note** There was none.

## 8. Board Comments

**Note** Mr. Sheckley proposed an overhaul how the town budget is presented, moving away from simple spreadsheets toward a more "value-based" approach. He argued that the current format of codes and line items doesn't show taxpayers what they are actually getting for their money.

He proposed a new structure:

\*Clearly separate mandatory costs (like fixed contracts) from costs that the town can actually control.\*

\*Any request for an increase must include a statement on the specific return on investment or value it adds to the town.\*

\*Departments should provide an annual report card like the Library Annual Report, which showed that for every \$1 in taxes, the library returns \$3 in community benefits.\*

\*The Board of Finance should set a starting point goal (he suggested 5.2% as a benchmark based on inflation and salary trends) to guide the process.\*

**Note** Mr. Gervais felt the suggestion was reasonable but warned that it is late in the budget season. He noted that classifying 500 different accounts into fixed or variable would take significant work.

**Note** Dr. McCallister pointed out that return on investment is subjective- what one person considers a good return for the fire department might be different for the library. He noted that this isn't just a click of a mouse change. Many town departments have already submitted their paperwork; it may be difficult to implement the full plan this year.

## 9. Adjournment

**Decision** MOTION (5)

Ms. Kalajainen moved to adjourn the January 14th, 2026, Regular BOF Meeting at 7:29 p.m.

Ms. Bullock seconded the motion.

Motion carried, 6-0-0.

**Note** Respectfully Submitted,  
Brooke Stevens, Recording Secretary

## Task Summary

### New Tasks

**Task** ☐ He said the Board of Education will provide a report showing exactly how many teacher and staff roles were removed or changed during last year's budget cycle.

*Owned by Eric Bauman, Board of Education Chair*

**Task** ☐ Mr. Sheckley requested a 5-year comparison of student numbers versus staffing levels. He argued that if student populations drop, staffing costs should directionally follow that same trend. Mr. Bauman agreed to provide this data, noting he had already asked the Superintendent to overlay student numbers with staffing levels for the Board to review.

*Owned by Eric Bauman, Board of Education Chair*

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*Owned by Kevin Gervais, Finance Director*