

**Needham Finance Committee
Minutes of Meeting of January 5, 2011**

The meeting of the Finance Committee was called to order by the Chair, Richard Zimbone, at approximately 7:00 pm in the Charles River Conference Room at the Public Services Administration Building (Temporary Town Hall.)

Present from the Finance Committee:

Richard Zimbone, Chair; Matthew Borrelli, Vice Chair
Members: John Connelly (arrived 7:03 pm), Richard Creem, Richard Lunetta, Richard Reilly, Steven Rosenstock, Lisa Zappala

Also Present:

David Davison, Assistant Town Manager/Director of Finance
Connie Barr, Chair, School Committee
Marianne Cooley, Vice Chair, School Committee
Michael Greis, School Committee Member
Bill Paulson, School Committee Member
Dan Gutekanst, Superintendent of Schools
Christine Brumbach, Director of Student Development and Program Evaluation
Tom Campbell, Needham Public Schools Director of Human Resources
Terry Duggan, Director of Program Development and Implementation
Anne Gulati, Needham Public Schools Director of Financial Operations
Barry Nectow, Assistant to the Director of Financial Operations
Glenn Brand, Principal, Pollard School

Citizen Requests

No citizens requested to speak.

Approval of Minutes

There were no comments or corrections for the minutes of December 15, 2010 that had been previously distributed.

MOVED: By Mr. Reilly that the minutes of December 15, 2010, be approved as submitted. Mr. Rosenstock seconded the motion. The motion was approved by a unanimous vote of 7-0. (Mr. Connelly had not yet arrived.)

Review Operating and Capital Budget Requests: School Department

Mr. Borrelli presented an overview of the budget request for a total of \$48,009,814 which represents an increase of 3.4% over the FY2011 budget. The largest increases were for special education (SPED) and increased staff at the middle and high school levels. The budget also includes decreases in some areas, including some staff, and legal and maintenance items. Over the last two months, the Finance Committee liaisons met to discuss the budget with members of the

School Committee and the School Department. There were five areas of focus: the appropriation of one-time money, SPED costs, staff increases, transportation, and the future budgetary outlook. Some one-time money is being used for ongoing expenses, particularly computer technicians. SPED costs are increasing, and at the same time, the state is reducing circuit breaker funds. The number of students placed out-of-district increased by 5 to a total of 60. Increased staffing at the middle and high schools is needed to keep the class size level, and also to bring in a new reading specialist. In the transportation area, the current bus contract is expiring and costs are expected to increase. The Town is discussing a possible busing cooperative with other towns. The future outlook is concerning, as the teachers' union contract calls for a cost of living increase of 2% in FY2013. This combined with the loss of one-time funds, and potential increases in busing will strain the budget. A SPED study is being implemented to examine whether services can be better and on a more cost effective basis. Mr. Borrelli thanked the School Committee and the School Department for their openness and cooperation during this process.

Dr. Gutekanst reported that the Schools recently received the International Award for Budget Excellence for the second year. He believes the budget is sustainable and responsive to the schools' needs. It will allow the department to continue to provide an excellent program. He stated that out of a group of 21 peer communities, Needham has consistently been among the towns with the lowest expenses and those with the highest level of education. He stated that SPED needs are increasing and the state is not providing the expected level of funding. He has no reason to expect the state funding to return to previous levels. Dr. Gutekanst stated that the increased staffing is needed at the secondary level because that is where the population is going. There is not, however, much of a decrease at the elementary level to make up for the additional needs at the secondary schools.

Dr. Gutekanst provided two handouts: the Average Class Size Trends chart, and the SPED budget for FY12. Mr. Zimbone asked about the schools' policy for class size. Mr. Greis reported that the guidelines call for 18-22 students per class in grades K-3 and 20-24 students per class in grades 4-5. For grades 6-12, the policy provides for class size to be "reasonable." Dr. Gutekanst stated that reasonable class size for the upper grades depends on the nature of the class. Ms. Zappala stated that there have been studies about optimal class size, and that she would expect the principal would have some number in mind, at least for the core classes. Ms. Cooley stated that there are pupil load goals of around 90-100 pupils per teacher. She stated that in the honors classes, the teachers have reported a noticeable increase in class size, and that it is having an effect. The current high school seniors have seen their classes increase from 25 students a few years ago to around 30 students this year.

Mr. Zimbone asked Dr. Gutekanst to explain the budget process. Dr. Gutekanst stated that for FY11, he asked his department heads to decrease expenses by 1% where possible. For FY12, he asked them to include only their actual needs in the budget, not their wants. The budget pages VI A-6 through 8 show the original requested increases, and the superintendent's recommendation. He did not recommend funding all requests. Even at the Middle School, he recommended less than half of the requested increases. One-time money is being used for Newman relocation expenses, and those are not included. Dr. Gutekanst stated that if additional money were to become available, he would recommend funding the rest of the requested staffing increases at the middle school level shown on p. VI A-6 and at the high school on p. VI A-7.

Ms. Zappala asked Dr. Gutekanst to explain the difference between his recommendation and the requested increase for the high school. Dr. Gutekanst stated the request included an additional 0.2 FTE which corresponds to one additional section of a class. Soon, the students will register for next year's classes at the high school. How the classes will be formed will depend on where students register and how much funding is available. Mr. Greis noted that a 0.2 FTE does not necessarily represent a new person working at 20% of a full time position, but can be additional responsibilities for a current teacher.

Mr. Reilly asked about the demographic information in section IX. He stated that the teachers' salaries are mid-range in comparison to peers, and that the student teacher ratio is 15:1, almost the highest. He stated that those facts would lead one to believe that the per-pupil expenditure would among the very lowest, but it is 14th lowest out of 21. Ms. Gulati stated that Needham has a growing population, while other towns may have a more static population. She also stated that Needham tends to service more special education students in-district, and that those costs are included in the cost per student. The cost figures include some fee-based programs and not others, so that it is difficult to draw conclusions from that set of statistics. Mr. Reilly responded that the data did not provide answers, but did suggest where further questions should be asked. Mr. Greis noted that p. VI A-9 of the budget request shows that certain SPED instructors are separate from teachers in the budget. Where other communities have in-class aides, Needham has only SPED aides. Ms. Zappala stated that it is difficult to judge without average class sizes. Ms. Gulati stated that the student/teacher ratios include regular teachers and some SPED teachers, but exclude some types of teachers. The ratios include only resident students, thereby excluding METCO or out-of-district students. Dr. Gutekanst stated that although the student/teacher ratio is expected to go up and is much higher than other communities, the Needham students' MCAS, SAT, and Advanced Placement test scores are among the highest of all the peer communities.

Mr. Rosenstock stated that in the demographic data the median family incomes seems tied to the MCAS scores. Needham had usually ranked in the single digits for both, but now Needham is 11th in median income and 15th in MCAS scores. It appears that there has been some slippage, and he asked if that is telling us anything. Dr. Gutekanst stated he knows of no correlation between per pupil spending and achievement in this group. Needham is consistently at the top for AP and SAT test scores. The numbers do not tell the whole story. He noted that the MCAS scores are getting tighter so that a small change in scores may mean a shift in rank that is not necessarily reflective of performance. He stated that they need to keep exploring this issue. Mr. Greis stated that at all these higher level schools, almost all students are passing the MCAS, and that the SAT and AP tests are more indicative of performance.

Mr. Rosenstock asked what percentage of the budget was SPED costs, and if that is increasing. Mr. Zimbone stated that in FY08 SPED costs were 19.6% of the budget and that five years later, in the proposed FY12 budget, SPED costs are 24.5%. Mr. Zimbone stated that the School Committee is hiring a consultant to look at the SPED program and how it compares to other communities. The study is funded from one-time money, so it will need to be finished in FY11. He stated that in FY08, 13% of students had IEPs and now there are 14% in IEPs. There has been an increase in IEP students and an increase in enrollment. The schools are doing a good job of increasing the programs for these students but the cost of out-of-district placement is also increasing. Mr.

Zimbone asked whether the study is going to help answer the question of what to do. Ms. Brumbach responded that the study will show whether staffing is adequate, and whether there are better and more cost effective ways to provide the programs. Ms. Barr added that the Town has increased out-of-district placements because the number of students with complex needs is increasing and some people have moved to town with students already enrolled in out-of-district facilities.

Mr. Zimbone stated that we all share the same concerns that the circuit breaker funds will not be above the 40% level in the next few years or maybe ever. This fact, combined with the rising costs of mandated programs, means that the SPED costs are becoming a bigger part of the budget, almost 25%. Dr. Gutekanst stated that we are not certain what the study will show, but he thinks there is room to improve the program and to increase effectiveness. The schools hired a new SPED specialist who is making a difference.

Ms. Cooley stated that the Town gets Medicaid reimbursement for some students in town, but that some out-of-district placements may be eligible. This could be pursued. She stated that the SPED study is looking at delivery and will not cover this issue. Ms. Gulati stated that the out-of-district providers cannot bill Medicaid because they do not have the necessary paperwork. Ms. Brumbach stated that the state is aware of this problem and supposedly working to get paperwork to the schools so that the schools will be able to seek Medicaid reimbursement.

Mr. Reilly stated that p. IX-3 shows that the state average for out-of-district payments is about \$21,000 per pupil and Needham's average is over \$63,000. Mr. Greis stated that the number of students is so small that the average is not meaningful.

Ms. Zappala pointed out that in prior years, the School budget anticipated salary savings, and that a cushion was left in the budget. She stated that the Committee should be aware that the Schools now include those savings in the salary budget calculations, and that the cushion is no longer there. Ms. Zappala also stated that in recent years the schools have seen people deferring retirement because of the economy. She was surprised at the savings they included in this budget due to turnover. When she asked why, she was told that the deferred retirements are expected to happen. The Schools have included a lot of detailed data about this in the budget book. Ms. Zappala commended the Schools for their transparency in this process.

Ms. Gulati stated that she has no demographic data to show why the retirements are going to increase so much, but they will be increasing in FY12 compared to the previous two years. Ms. Cooley stated that it is what is happening, but it is not a trend. Ms Gulati stated that they will continue to monitor the retirement figures. She said the salary savings due to retirements come from the fact that the budget was built in October 2010, based on a comparison with October 2009. They use information they have about declared retirements, turnover, and people returning from long-term leave.

Mr. Zimbone asked what the highest priority is if additional money were available for the budget. Dr. Gutekanst replied that it would be staff at the secondary level. Alternatively, if he needed to further reduce the budget, he would reduce support staff, particularly the 0.1 FTE administrative position, and the \$5,000 administrative staff increase in the Superintendent's office. He could

possibly save \$29,000 that is not in the budget by reducing substitute pay. Beyond a \$40,000 or \$50,000 reduction, he would need to cut teachers and program support. The School Committee, however, makes the final choice.

Mr. Lunetta asked, other than staff, what do the schools need? Dr. Gutekanst stated that the schools have many good ideas, but could use more time to implement them— time for improving programs, bringing back cut programs and implementing new ones, such as in arts and engineering. More time could allow teachers to collaborate better, for learning to happen at a faster pace, and to institute full-day kindergarten. Mr. Campbell stated that there are also serious space issues in almost all buildings. One issue with bringing SPED programs into the district is there may not be space to build programs.

Mr. Zimbone suggested that the Town may want to implement a shared energy savings program that has been successfully employed in other towns. The program would allow teachers and students to work on reducing energy consumption in their building, and the department would share the energy savings as an incentive. The Town already maintains energy usage data for each building and can identify the normalized energy usage, and show where there is savings. Dr. Gutekanst stated that he has met with Mr. Laffey and the principals and has asked Mr. Laffey to do an audit of appliances to know what is being used. Ms. Zappala stated that the level of savings might not continue year to year so the savings funds should be used for one-time expenses. But she felt if the program were advertised, people would participate. Mr. Greis stated that the money would need to go to the principal not the whole department budget for the incentive to work.

Mr. Zimbone asked about the status of the work at Pollard. Dr. Gutekanst stated that the roof project is moving forward. The PPBC held a hearing and the School Committee made a presentation regarding the parking and road issues. They are proceeding with the smaller plan, cutting only a small amount into the hill side. There will be an access from Dedham Ave. and use of the tennis courts for temporary parking for one year while the Newman students are at Pollard. When Newman program leaves, there should be ample parking, though on-street parking will still be needed. Ms. Cooley commented that the parking issues will be improved, but not solved. Dr. Gutekanst stated that the building assessments for Pollard, Mitchell and Hillside will study parking issues.

Mr. Zimbone asked how the Tier 1 and Tier 2 requests in Section 2 of the Capital Improvement Plan break down. Ms. Gulati stated that the school Director of Technology has been asked to break his needs down, and that the pilot program is a high priority. Dr. Gutekanst stated that he needs to work with the School Department administration and staff to identify the priorities and then he will bring recommendations to the School Committee. This issue will be considered ahead of time, and if money is available for capital, there will be no surprises where it is going. Mr. Borrelli asked the status regarding reimbursement from MSBA on the Pollard roof and Dr. Gutekanst stated that the project has been approved by the MSBA but funding has not been determined at this point.

Mr. Zimbone thanked the attendees for all of the information provided and for their cooperation and support.

Reserve Fund Transfer Request

Mr. Davison stated that the request is for money to be transferred to the capital line in the Public Facilities operating budget to pay the closeout costs for the high school construction project. Since 2008, there have been lingering closeout issues. There was a disagreement regarding which expenses were the Town's and which belonged to the General Contractor. The parties reached a settlement which closes the project, provided that the Town pays this month. The project funds have been exhausted. The consequence of waiting until Town Meeting to finalize the funding is that the deal may be lost, which would mean more legal costs and would leave the Town open to further claims. Allowing this request would be the prudent course.

Mr. Connelly stated that he has been very involved in this project, and worked closely with Mr. Popper and Mr. Tobin. The contractor had been looking for as much as \$2 million in claims against the Town. Whenever a subcontractor sued him for nonpayment, he added the Town as a third party defendant. Mr. Connelly feels that the agreement reached is a great result given the alternative possibilities. The total change orders in the project were approximately 8%, which is very reasonable given the nature of the project, particularly when opening up an older building. In response to a question from Mr. Rosenstock, Mr. Connelly confirmed that the whole project cost \$62 million including change orders. Mr. Reilly asked whether there would be any further expenses. Mr. Davison stated that this closes out the whole project. Some money has been held in the budget for known upcoming bills. The Town still needs the permanent occupancy permit, but the project is otherwise complete.

MOVED: By Mr. Reilly, that the Finance Committee approve the Reserve Fund Transfer Request to the Capital Facilities budget in the amount of \$40,000. Mr. Lunetta seconded the motion. There was no further discussion. The motion was approved by a unanimous voted of 8-0.

Snow and Ice Overdraft Request

Mr. Davison sought approval of a request to allow an overdraft of \$295,000 for snow and ice removal. The current snow and ice budget is \$200,000. Approval of this request would allow the Town to spend up to \$495,000 on snow removal in FY11. The Town currently has committed \$211,000 to snow removal due to a post-Christmas storm. Mr. Davison estimates snow removal costs for the year will be \$495,000 based on seven average-sized storms for the rest of the year. This request will authorize the Town to pay snow and ice removal bills up to the amount of \$495,000. If spent, there will be a \$295,000 deficit. Usually such a deficit is funded through a Reserve Fund Transfer at the end of the year. If there is insufficient money in the Reserve Fund, the following year's budget must first cover than insufficiency.

Mr. Rosenstock asked about the possibility of paying snow removal contractors a flat fee, thereby transferring the risk to them. Mr. Davison stated that he is looking into whether that is what is being done in Quincy, where news stories have reported that savings are being achieved by paying for snow removal by the inch of snow rather than per hour.

MOVED: By Mr. Creem, that the Finance Committee approve the Finance Director's request for the Town to expend up to \$495,000 for snow removal in FY2011 which represents the approved budget of \$200,000 plus an overdraft amount of \$295,000. Mr. Rosenstock seconded the motion. There was no further discussion. The motion was approved by a unanimous vote of 8-0.

Finance Committee Updates

Mr. Zimbone updated the Finance Committee on Green Needham's committee that is being put together to seek to qualify Needham as a Massachusetts Green Community. He e-mailed the Town Manager's office volunteering Mr. Lunetta to be the Finance Committee's representative, Mr. Borrelli to be a contracting representative, and himself to be an energy consulting representative. Mr. Lunetta will be the Finance Committee representative. He and Mr. Borrelli will each interview with the Vice Chair of the Board of Selectmen for their proposed positions.

Adjourn

MOVED: By Mr. Lunetta, that the meeting be adjourned, there being no further business. Mr. Reilly seconded the motion. The motion was approved by a vote of 8-0, at approximately 9:16 p.m.

Documents: Needham Public Schools FY12 Budget Request; Average Class Size Trends K-12; Special Education FY 12 Budget Request (dated January 4, 2011); Capital Improvement Plan FY 2012 – FY 2016 (dated January 4, 2011)

Respectfully submitted,

Louise Mizgerd
Executive Secretary

Approved January 10, 2011