

**Needham Finance Committee
Minutes of Meeting of January 23, 2013**

The meeting of the Finance Committee was called to order by the Chair, Richard Reilly, at approximately 7:00 pm in the Great Plain Room at the Town Hall.

Present from the Finance Committee:

Richard Reilly, Chair; Richard Lunetta, Vice Chair

Members: Richard Creem, Gary McNeill, Louise Miller, Lisa Zappala, Richard Zimbone

Also Present:

David Davison, Finance Director

Dan Gutekanst, Superintendent of Schools

Anne Gulati, Needham Public Schools Director of Financial Operations

Melane Bisbas, Assistant to Director of Financial Operations

Christine Brumbach, Director of Student Development and Program Evaluation

Deb Gammerman, Director of Technology and Innovation

Tom Campbell, Director of Human Resources

Terry Duggan, Director of Program Development and Implementation

Heidi Black, Chair, School Committee

Joseph Barnes, Vice Chair, School Committee

Connie Barr, School Committee Member

Michael Greis, School Committee Member

Susan Neckes, School Committee Member

Citizen Requests

No citizens requested to speak.

Minutes of Prior Meetings

Ms. Miller requested changes to the January 16 minutes. Mr. Reilly suggested that the approval of the minutes be deferred until the changes could be made and recirculated.

Review of FY14 Operating Budget and FY14-FY18 Capital Requests: School Department

Dr. Gutekanst presented the budget, and discussed the district's priorities and the goals. He outlined the increases needed to maintain level services, as well as the proposed program improvements. He noted that there is a possible \$140,000 swing if the federal government does not resolve certain issues. The proposed budget assumes that federal sequestration cuts will not happen. He stated of the 6.48% total proposed increase, 5.68% is for level services, including increasing needs for SPED and addressing enrollment. The remaining 0.8% is for proposed improvements. The proposal includes 1.8 additional FTEs at the elementary level, and 6.9 FTEs at the secondary levels, including a 3rd assistant principal at the High School. Dr. Gutekanst stated that the assistant principal is necessary not just to meet one year's increased enrollment but to catch up after several years of holding back.

Dr. Gutekanst stated that he considers all of the SPED increases to be level services because they are mandated. He stated that since this budget was presented to the School Committee, the Department was informed of \$130,000 of additional SPED needs for FY14. He stated that yellow bus transportation expense is going up, though that they are working to resolve the issue. The budget proposes an additional \$5 annually per rider to \$395, and a \$65,000 increase in the transportation subsidy. He stated that the budget includes \$1.2 million in contractual salary increases, and noted that two bargaining units, teachers and administrators, are up for negotiation for next year. He described the proposed program improvements, including additional math coaches, the new teacher evaluation system that the district needs to implement in FY14, and installation of infrastructure to support the 1:1 technology initiative.

Dr. Gutekanst addressed two groups of possible reductions that he has suggested. Tier 1 would save \$286,786, which includes a changed assumption of circuit breaker reimbursement from 60% to 64%. The Tier 2 reductions would save another \$289,734. He noted that he is not recommending these cuts, and that the School Committee may not be comfortable with the level of cuts. In response to a question from Mr. Reilly, Ms. Gulati confirmed that the 4% or \$96,000 increase in circuit breaker reimbursement in Tier 1 translates to about \$24,000 per percentage point increase in that funding for FY14.

Mr. Zimbone suggested that the bus fee be linked to the transportation expenses so that the subsidy would be a constant percentage each year and the users would share the increased costs. Dr. Gutekanst stated that the Schools are reluctant to increase the bus fee to \$400 or more. He stated that the fee was raised \$20 per rider last year. Ms. Gulati noted that for each \$1 the fee is raised, the income is approximately \$1,000-\$1,200. She stated that if the contract increases by 8%, it would be problematic to raise the rider fee to keep up. She stated that high fees could cause ridership to decrease. She stated that they depend on fee payers to defray the transportation costs since the Schools are mandated to provide free transportation for certain riders. She stated that the 3-year bus contract ends in FY14, with an option to renew for 2 years. The increase is 11%, and then drops to 2-3% per year. Ms. Miller asked if they had surveyed other communities, because Medford pays about 10% less. Ms. Gulati stated that she intends to issue new bids in FY14, but there is little competition since Connelly has been around a long time and has the infrastructure in place. She stated that no other communities she has spoken to are paying as much in annual increases. Mr. Zimbone stated that it is a difficult situation, but there needs to be a solution. He stated that it does not make sense to refuse to raise the fee to \$400 or more. Dr. Gutekanst stated that they are considering getting into the bus business, but there are challenging environmental and real estate infrastructure issues. Mr. Reilly asked if the Town has unusual requirements that make the transportation more expensive. Ms. Gulati stated that she did not believe so, though there are many issues involved such as the type of seats, or the Town's location. She stated that when the Town bought its own buses to use for certain services instead of charters from the bus company, it saved the Town money, but cut into the profit of the bus company. Therefore the bus contract price for the daily service reflected that loss of profit. She stated that they did negotiate with the lowest bidder and did achieve some savings. Mr. Creem suggested looking at the cost per passenger per mile when evaluating bids in order to better understand the differences. Ms. Zappala stated that she does not think it would make sense to get into the bus business which would require significant additional infrastructure and be a huge distraction.

Mr. Reilly asked if there was room to adjust the level of SPED services. Dr. Gutekanst stated that the rate of autism has increased in recent years, and there are more children with increasing needs that need more services. He stated that more than 700 different contracts for services are negotiated with parents. He stated that the impact of the new organizational model is not yet known, but that there is now more accountability. Ms. Zappala asked what is driving the request for 8.64 new FTEs for SPED. Ms. Gulati stated that there is a greater need for in-district infrastructure at the Middle School for staff such as psychologists and speech therapists. She stated that the High School also will have increased staffing due to enrollment and caseloads. Ms. Brumbach stated that for FY14, it is projected that there will be more children with autism at the Middle School than at the elementary or high schools. She described the steps being taken to address the needs of these children. Mr. Zimbone asked whether the need for additional SPED staff at upper levels has a corresponding decrease elsewhere. Ms. Brumbach stated that they do move people when they can, and that 1.5 FTEs associated with the pre-school reflects a need that has shifted, but in most cases there is not enough decrease to be able to reduce the number of teachers at other levels.

Mr. Reilly stated that the request for 8.7 additional FTEs at the Middle School for an increase of 42 students seemed high. Ms. Gulati stated that staffing needs are more intensive at the secondary level. Mr. Reilly stated that there is also an increase in elementary staff despite decreasing enrollment. Dr. Gutekanst stated that there is a proposed additional 2nd grade teacher that is needed. He noted that 2.0 of the FTEs at the Middle School are for a guidance counselor and an assistant principal which are not clearly connected to enrollment, and are areas where they have cut back in earlier budget requests. He stated in a survey of 10 comparative communities, Needham had the highest ratio of students to guidance counselors. Mr. Creem asked whether the \$1.2 million salary increases includes changes for bargaining agreements that will expire at the end of FY13. Dr. Gutekanst stated that includes reserves that the School Committee will be able to use. Mr. Creem asked if there was a funding source for the teacher evaluation system which is a new mandate. Dr. Gutekanst stated that there is no funding for it. Mr. Creem stated that the Governor's budget proposes level funding for circuit breaker reimbursement, and asked how that compared to this budget's 60% assumption. Ms. Gulati stated that she thinks it will end up at 70% reimbursement, even with the recent cuts, assuming there is no federal sequestration, even considering the state's history of dipping into circuit breaker funds for unrelated needs. She stated that she wanted to budget conservatively, but she thinks that amending the assumption to 64% reimbursement rate is not a big risk. Mr. Greis noted that level funding in dollars does not translate to the same percentage in a different year.

Capital

Mr. Reilly stated that he wanted to discuss available Free Cash before addressing capital requests. He stated that the Free Cash that will be available for the FY14 budget is \$2,153,808, which is approximately \$3 million short of where it was expected due to certain timing issues. The DOR was not comfortable certifying certain revenue at this time. Under the Town's policy that limits the amount of Free Cash used for operations, \$1,619,224 will be available for the FY14 operating budget, which is better than the Pro Forma. Mr. Reilly added that there is a reasonable chance that the Free Cash resulting from FY13 would be certified in time for appropriation at the November Special Town Meeting. However, there is now only approximately \$500,000 for FY14 cash capital for all departments. He stated that while the Town maintains reserves for extraordinary circumstances, he has a strong desire to avoid using

reserves. He stated that once they are used, it becomes easier to dip into reserves later. However, if there are capital needs that need to be met right away, this is an option.

Dr. Gutekanst stated that the Town Manager has recommended \$250,000 less in capital than the School Department requested. He added that a significant amount of capital goes to Public Facilities for work in schools that must be done when school is not in session. At the same time, the School Department needs its capital items when school opens. Mr. Reilly stated that there are some areas where capital requests can be delayed without meaningful negative consequences, such as some core fleet requests that are not purchased right away. Ms. Miller stated that the reserves were created just for this type of situation, and should be used as needed. Mr. Zimbone stated that it is necessary to really look at the needs and the justification for using the reserves before going that way.

Dr. Gutekanst stated that he would figure out which capital requests could be reasonably delayed. He stated that the radios are needed for emergency situations. Ms. Zappala stated that it may be helpful to delay the discussion of specific capital requests until the School Department has had a chance to review and prioritize their requests. Mr. Creem stated that in the past couple years, retirements have slowed which has caused budgetary turn-back to be lower than when more expensive teachers were replaced with teachers earning less. He asked about the current trends. Mr. Campbell stated that the retirements have been leveling off. He stated that statewide during the mid-2000s, there used to be about 5,000 teacher retirements per year, and now there are approximately 2,500 per year, and expected to stay at that level for the next 10 years. Ms. Zappala stated that the School Department does account for retirements and other salary savings in their budget. Ms. Gulati stated that they have assumed \$200,000 in retirement savings, and built that into the budget.

Finance Committee Updates

Mr. Reilly stated that two perspectives had been expressed about using reserves to help fund FY14 cash capital: Ms. Miller stated that the reserves were designed for this purpose and should be used if needed, while Mr. Reilly and Mr. Zimbone wanted to avoid using reserves for this purpose. Ms. Miller added that she was also not comfortable with having two separate capital discussions in May and November. She stated that the capital should all be discussed at once. Mr. Reilly agreed, but stated that there is a component that needs to be funded at once. Ms. Zappala stated that there are many factors that may not be known until closer to Town Meeting such as whether there is money in the Reserve Fund. She stated that the Town needs to see the total picture to determine how to fund the capital needs. She stated that the Committee should now review the whole cash capital picture, and focus on funding later. She acknowledged that it will be challenging to address the Schools' departmental and building needs by September 1. Mr. Zimbone stated that possibly there could be a way to fund the radios in FY13 if they are critical for safety. Ms. Miller stated that she would look into whether there were better prices available.

Adjourn

MOVED: By Ms. Miller that the Finance Committee meeting be adjourned, there being no further business. Mr. Zimbone seconded the motion. The motion was approved by a vote of 7-0, at approximately 8:54 p.m.

Documents: Needham Public Schools FY14 Proposed Budget Request; Superintendent's Presentation to Finance Committee, FY14 Operating Budget Request, dated January 23, 2013; Finance Committee Memo from Chair Dick Reilly to Finance Committee Members, dated January 23, 2013

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst

Approved January 30, 2013