

**Needham Finance Committee
Minutes of Meeting of January 21, 2015**

The meeting of the Finance Committee was called to order by the Chair, John Connelly, at approximately 7:30 pm in the Great Plain Room at the Town Hall.

Present from the Finance Committee:

John Connelly, Chair; Louise Miller, Vice Chair
Members: Richard Creem, Richard Reilly, Lisa Zappala, Rick Zimbone

Others present:

David Davison, Assistant Town Manager/Finance Director
Dan Gutekanst, Superintendent of Schools
Michael Greis, Chair, School Committee
Mary Lammi, Student Support Service Director
Terry Duggan, Director of Program Development

Citizen Requests

No citizens requested to address the Committee.

FY2016 Departmental Spending Requests:

School Department

Mr. Zimbone stated that the budget request was released in early December when he and Mr. Connelly and Ms. Mizgerd met with the School Department and School Committee liaisons to walk through the budget. He stated that there were additional liaison meetings to address questions. He stated that the School Committee held a public hearing the previous night, and that there were several rounds of questions, as well as discussion by School Committee members. He stated that the budget package was well done, and that the meetings have been productive. He stated that Ms. Lammi has done well in her first year as Director of Student Support Services.

Mr. Gutekanst stated that there is a shortfall in FY15 of up to \$750K due to an increase in special education tuition costs. He stated that this amount is the worst case scenario, and the department will know better when the Financial Services Director does the next quarterly projection. He stated that amount is net of circuit breaker reimbursement, but does not account for potential savings such as some special education tuition that was budgeted for, but has not been needed yet this year. He stated that the department is carefully monitoring the budget, and has held off on filling certain vacant positions and tightened up in other areas.

Mr. Gutekanst stated that there are 4 main drivers of the increase requested for FY16: (1) mandates such as the new Partnership for Assessment of Readiness for College and Careers (PARCC) testing; (2) mandates for educator assessments and accountability; (3) increasing technology needs; and (4) special education needs. He stated that the budget request represents an increase of 5.37% over the FY15 budget. He stated that a level-service request would have been higher. He stated that the SPED and contractual increases account for 90% of the requested

increase. He stated that High School enrollment has increased beyond the building capacity. He stated that the state mandates that all teachers with an English Language Learner in a class must have 40 hours of special training plus an annual refresher. This applies to almost every teacher since the number of ELL students continues to grow, and the training must be done after hours. Mr. Gutekanst stated that there have been significant new SPED needs including increases in tuitions and transportation costs, growing needs at the preschool level, a growth in the autism program, and the addition of a new Walker School group home. He noted that the cost of out-of-district tuitions has required an increasingly large percentage of the budget over the years.

Mr. Gutekanst stated that the FY16 budget request includes 13 new full-time equivalent employees, including 3 FTEs for secondary level enrollment growth and SPED needs, 9.4 FTEs for transportation, technical, and administrative staff, and .6 FTE for English Learning Arts/Social Studies enhancement. He stated that the department has worked to reduce and repurpose funds and staff to reduce costs and that they were able to avoid \$500K-\$550K of additional costs in the FY16 budget request. Mr. Gutekanst stated that since the budget request was presented on December 2, 2014, new needs have been identified for FY16. He stated that there is an additional \$246K of SPED tuition, \$18K for a literacy grant that was overlooked, \$48K in contract adjustments. He stated that these additional costs have been offset by transportation reductions and adjustments of \$65K, for a total FY16 additional operating needs of \$277K or a total needed increase of 5.7% for FY16 over FY15. Mr. Gutekanst listed budget reductions that he would make to offset the additional \$277K needed, but stated that he does not recommend those cuts be made.

Ms. Zappala stated that the cash capital request for the School Department is \$260K over last year's request. Mr. Gutekanst stated that the Town Manager is recommending that certain items be added to the operating budget as operating capital, including \$202K for technology devices for the 1:1 initiative. He stated that amount would cover 75% of the iPads needed, and assumed that the other 25% would come from parents purchasing devices. He stated that currently, 15% of the iPads in the program are borrowed from the school, and 85% are not school-funded. The plan is to have all current 6th graders take their iPads to 7th grade with them, so the new 6th graders will need iPads. Mr. Zimbone stated that the Town Manager sees this as a one-time expense for which there is not a recurring source of funds. He stated that the request would be revisited every year. Mr. Davison stated that the Town would review the items each year to determine which ones meet the Town's definition of capital under the by-laws. Ms. Miller stated that in 2004 when she was on the School Committee, the School Committee purposefully put items into cash capital that were not being funded because they could not be afforded in the operating budget, including musical instruments and furniture. She cautioned against putting items into the operating budget that won't be able to be funded each year. She stated that the technology request is a big number, and will be a recurring expense. She stated that leasing is an option, but the costs would double the next year and increase every year as a new group of leases was added until eventually the cost would plateau.

Ms. Zappala asked how much of the transportation expenses were being absorbed by the operating budget for non-mandated busing. She asked why an increase in the bus fee is not being considered, and stated that a fee increase should be on the table. She stated that she thinks

parents would understand that costs don't stay the same. Mr. Gutekanst stated that even if the bus fee were raised \$10 or \$15, it would not be sufficient to solve the problem. Mr. Greis stated that a \$15 bus fee increase would bring in approximately \$70,000. He stated that the Schools are not being charged more for the yellow buses this year since there is a fuel escalator/de-escalator clause, so it would mean preemptively charging parents for increases to come. Ms. Zappala stated that the fee was not raised when the costs did increase, so there have been cost increases since the fee increased. She stated that it is bad for the School Department budget to have to fund transportation costs. Mr. Reilly asked whether the fuel adjustment had a material impact. Mr. Gutekanst stated that it was not significant since most of the costs consist of the bus drivers and the lease of buses. Mr. Reilly asked for the specific language of the contract addressing fuel costs. Ms. Miller asked if they would consider reducing service by one bus. Mr. Gutekanst stated that there is currently a waiting list for the buses. He noted that the buses support other aspects of the transportation program. Mr. Zimbone suggested they look at providing buses only for the areas required by the state.

Mr. Connelly asked what is included in the \$276,467 additional funds needed for SPED, and what happened between December 2 and now. Mr. Gutekanst stated that there were changes such as one student with a tuition over \$100K who was expected to graduate and did not. Mr. Zimbone stated that a January 12 memo from Anne Gulati has an attachment showing the FY16 requested special education tuition increase adding to \$317K, and asked if those were the additional increases. Mr. Gutekanst stated that things have changed since the January 12 memo. He stated that he has pulled out 4 tuitions that are being paid this year, but that he thinks the department will not be obligated to pay in FY16, totaling approximately \$300K. He stated that the tuitions are a moving target as circumstances change. He stated that sometimes they are notified of tuition increases during the year. He stated that they are pushing back with attorneys in cases where they feel that placements are not actually needed. Mr. Connelly suggested leaving unknown expenses out of the budget and coming to the Finance Committee if there are needs beyond the budget. He questioned whether their method of budgeting for unclear costs is the right approach. Ms. Lammi stated that the department started FY15 with an insufficient budget so this year, they are not able to be flexible as they have in the past. Mr. Gutekanst stated that in his 9 years he has been able to handle budget swings with this approach, including using tuition prepayments, salary savings, and lower legal costs, but this year the budget is too close. Mr. Greis stated that additional placements happen, and not to allow for that is under-budgeting.

Mr. Creem stated that special education transportation collaboratives have saved money in the past, and asked whether there were more cost effective ways to handle regular bus transportation. He asked why other districts get better deals. Mr. Gutekanst stated that others are not getting better deals, and that there just aren't many bidders. He stated that Connelly provides great service, but they were the only bidder, so there was no choice about price. He stated that the van transportation has worked out better, though when the collaborative was negotiating a contract a couple years ago, the two bidding companies merged and everything changed. Transportation costs have risen for all communities.

Mr. Zimbone stated that the School Committee will vote a budget next week, though that is not always the last budget. He stated that more will be known about out-of-district placements in late February. He states although the Schools would like an extra \$300K in their budget, the

Town Manager usually recommends a budget close to the proforma. He stated that pending placements are contingencies, and at some point the budget has to be determined. He stated that if costs go too high, the Schools can request a Reserve Fund Transfer. The fund was created for situations just like this—costs that are volatile. He stated that transfers have been made for energy cost fluctuations, snow removal, and other extraordinary expenses. He suggested rather than making hard cuts, use the pending placement funds. He stated that there have been sources of funds that carry over each year, and those can be used. He suggested leaning on the Reserve Fund to handle fluctuations.

Mr. Connelly asked whether the list of FY16 reductions that could meet the additional budget gap were new items for FY16. Mr. Gutekanst stated that they are all new requests, except \$21K for toner. Mr. Zimbone stated that a parent spoke at the School Committee public hearing about how she brought her child back into the district for special education. Mr. Zimbone stated that situations like that will help reduce the budget as well. Ms. Lammi stated that the goal is to keep students in district, and that the recent reorganization that put liaisons in each building has been successful, though she can't assign a dollar value. Ms. Zappala asked whether anything can be done at the middle and high school levels to stem out of district placements and to stabilize the cost structure. Ms. Lammi stated that autism spectrum disorders have fewer out of district placements than previously because there is in-house programming at all levels. She stated that language-based issues are rising, and there is a challenge to identify them earlier. She stated that Needham and all communities are struggling with mental health issues that do not often show up until middle or high school. The numbers are rising and there are few programs, and the students are hard to keep in district. She stated that the program for anxiety at the high school level is solid, but that there is insufficient space, staff, and funding to meet all the needs. Mr. Reilly asked if the budget accounted for students aging out of the program part way through the year. Ms. Lammi stated that the costs were prorated in those cases.

Mr. Creem asked if there is a legal mandate for a district performance report, and whether it is necessary to mail out a document. Mr. Gutekanst stated that it could be produced and made available only electronically, and that the bulk of the cost is printing and mailing, but they believe the document will be more widely read if mailed out. He stated that they rely heavily on donations to help with costs, and that he is not ready to recommend only electronic distribution.

Minuteman Regional School Assessment

Ms. Zappala stated that last year's preliminary assessment for Needham was \$893K. When the budget was created, the assessment was \$729K. For FY16, the preliminary assessment is \$654,134. The primary reason for the decrease is a drop in the number of students from 35 to 24. She handed out excerpts from Minuteman's budget request. She stated that costs are up about 1%. Assessments have shifted because of a decrease in the enrollment of students from nonmember towns. Enrollment from nonmember towns was 356 in 2013 and 331 in 2014, while member town enrollment was 440 in 2013 and 414 in 2014.

Ms. Zappala stated that the Town Manager is concerned about the preliminary assessment and plans to decrease the Minuteman assessment line to \$700K in her recommended budget but does

not feel comfortable going lower at this stage. If the projected assessment stays low closer to finalizing the budget, then it might be appropriate to lower the budget line.

Ms. Zappala stated that there are concerns surrounding the school renovation capital project. She stated that she believes this is affecting enrollment. Freshman enrollment is down because there is no clear plan.

She stated that there are 4-5 member towns still resisting changes in the structure of the district that would make it easier for member towns to exit. She stated that it is hard to bring in new member towns when it is so difficult to get out. She stated that they are hoping that by spring, there will be more support. Mr. Reilly stated that their budget proportions are quite different from the Needham School Department. Ms. Zappala stated that Minuteman's budget is a standalone budget, so costs like employee benefits are in the Minuteman School budget whereas Needham School employee benefits are in Townwide expenses.

Adjourn

MOVED: By Ms. Miller that the Finance Committee meeting be adjourned, there being no further business. Mr. Reilly seconded the motion. The motion was approved by a vote of 6-0 at approximately 9:25 p.m.

Documents: Needham Public Schools FY16 Superintendent's Budget Proposal dated December 2, 2014; Town of Needham Capital Improvement Plan FY2016 – FY2020; Memo from Anne Gulati, Director of Financial Operations to School Budget Liaisons re: Responses to Finance Committee Questions on FY16 Budget (2 pages); Memo from Anne Gulati, Director of Financial Operations to School Budget Liaisons re: Responses to Finance Committee Questions on FY16 Budget (4 pages); Superintendent's FY16 Operating Budget Request presentation, January 21, 2015; Highlights from Minuteman Regional School Budget dated 1/13/15.

Respectfully submitted,

Louise Mizgerd
Executive Secretary/Staff Analyst

Approved January 28, 2015