

**Needham Finance Committee**  
**Minutes of Meeting of January 23, 2017**

The meeting of the Finance Committee was called to order by Chair Rick Zimbone at approximately 7:00 pm in the Selectmen's Chambers at the Town Hall.

Present from the Finance Committee:

Rick Zimbone, Chair; Richard Reilly, Vice Chair

Members: Barry Coffman, John Connelly, Richard Lunetta, Louise Miller, Carol Smith-Fachetti

Others present:

David Davison, Assistant Town Manager/Finance Director

Susan Neckes, Chair, School Committee

Dan Gutekanst, Superintendent of Schools

Anne Gulati, Director of School Financial Operations

Thomas Campbell, Human Resources Director

Mary Lammi, Student Support Service Director

Terry Duggan, Director of Student Learning

**Citizen Requests**

There were no requests to address the Committee.

**FY2018 Departmental Budget Requests:**

**School Department - Operations**

Mr. Reilly introduced the budget and handed out a chart showing historical increases for the School Department budget. He stated that the School Department originally requested an increase of 5.6% for FY18, but has identified some reductions to lower the increase to 4.9%.

Dr. Gutekanst presented an overview of the budget. He stated that the original request was for a \$3.63 million increase, including \$2 million of contractual salary increases, \$1.1 million for level service needs and \$0.5 million for program improvements. He discussed the drivers of the increased needs including reading and math support, technology costs, and staff salaries. Dr. Gutekanst stated that the additional reading and math support is needed because of a new challenging 8<sup>th</sup> grade curriculum which is more difficult for students, so that more students need support. The support is also needed to continue to increase test scores, as required by the state. Dr. Gutekanst stated that the original budget request included 24 additional FTEs. A large driver of the requested increase is rising Special Education (SPED) costs due to SPED students moving into the district, increases in the number of placements, and the costs of tuition and transportation. He stated that there are curriculum and instructional changes. Dr. Gutekanst stated that technology costs are increasing because of increased need for support, which requires additional staff, and a need for new software licenses.

In the area of program improvements, the request includes an increase in the pay for substitute teachers from \$98 to \$115 per day, since they are unable to fill the positions at this rate. Mr. Zimbone asked why they would increase to \$115 when other towns are paying \$100 per day. Ms. Gulati stated that they want to separate themselves from the other towns enough to affect the fill rate for the positions. She stated that the increase from \$98 to \$115 would cost approximately \$35K. In response to a question from Mr. Reilly, Mr. Campbell stated that he is sure that the issue is economic, and that other towns have the same complaint. Mr. Reilly asked for data showing that other towns are having difficulty filling sub positions, and their pay rates. Mr. Campbell noted that when existing teachers substitute for absent teachers, the School Department pays \$35 per class, which can cost up to \$175 for a day. Ms. Miller asked whether there are permanent fill-in substitutes. Ms. Gulati stated that there are currently 2, but the five-year plan includes increasing that number to 10 in five years. Mr. Campbell stated that that is more expensive because of benefits costs, and that they could not cover their needs on a regular basis with full-time staff.

Dr. Gutekanst stated that after consulting with the Town Manager and discussions with the Finance Committee liaisons, he presented the School Committee with suggested reductions of \$467K to the original budget request. He stated that there was a reduction of \$300K in SPED tuitions due to a change in projections, mostly for tuitions, and some for in-house programs. He stated that he would recommend that the School Committee vote to recommend the budget with these changes. He stated that the Town Manager requested that the School Department reduce the FY 18 budget by approximately \$285K. He hoped that, if possible, the additional \$175K would be put aside in a reserve to help with the creation of full-day kindergarten in a couple of years. Mr. Zimbone stated that there is a task force looking into the specific costs and space needs to institute full day kindergarten. Mr. Zimbone commented that the Pathways program appears to be successful and he encouraged more programs designed to offer more services in-house. Dr. Gutekanst stated that he has begun meeting with kindergarten teachers to develop a full day program, and that he will need to meet with the Town Manager and the Finance Director to discuss costs. He stated that the estimate for full day kindergarten is \$1.3 million without benefits, and not renting space. He stated that there will be more space needed than the Town currently has. He stated that Needham would qualify for additional Chapter 70 funding, based in the number of students that would be received the year following the start of full-day kindergarten. Ms. Gulati stated that there is a capital request to look into the possibility of alternate spaces. In response to a question from Ms. Neckes, Ms. Gulati confirmed that if teacher salaries come from a revolving fund, benefits would still need to be covered by the Town.

Mr. Reilly stated that the memo dated January 23 out shows the positions that have been added during FY17 which are being included in the FY18 operating budget. Mr. Connelly asked how many FTEs have been added to the FY17 budget. Ms. Gulati stated that the approved budget added 12.19 positions. Another 6.34 were added during FY17. She stated that they are projecting that they need 23.99 additional positions over the FY17 budget positions. Mr. Zimbone asked about the services proposed to be contracted out and removed from the operating budget request. Ms. Gulati stated that services are not being reduced, but a long term substitute will be used for the same purpose. Mr. Zimbone asked about the positions being shifted to the revolving fund. Dr. Gutekanst stated that the pre-school fee would need to be increased for this to work. Ms. Miller commented that they seem to be prioritizing the excess funds.

Mr. Connelly asked if the technology line includes the iPads for the 7<sup>th</sup> and 8<sup>th</sup> grades and Chromebooks for 9<sup>th</sup> grade. Ms. Gulati affirmed that it did and said that \$20K is for one year of iPads, with a set of iPads being passed down. Ms. Miller noted that four years of Chromebooks will need to be purchased. Mr. Reilly asked what would be the anticipated annual budget increase once full day kindergarten is started. Would it be \$1.4 million on top of the annual increase that was \$3.6 million for FY18? Dr. Gutekanst stated that he did not know, but expected the salary increases would be roughly the same \$2 million as in the current budget. That year, the budget priorities will be to meet contractual obligations and the cover costs to start full day kindergarten. He would like to aim for FY20. Dr. Gutekanst stated that the School Committee has not voted full day kindergarten as a priority at this point. Ms. Neckes stated that she believed that all members would call it an extremely high priority. Mr. Zimbone noted that the Town hopes to increase Public Safety staffing that same year. Mr. Reilly asked if there is a mechanism to hold funds aside for full day kindergarten. Mr. Davison stated that recurring funds could be appropriated for a one-time in FY19, and then the next year could be used for a recurring cost. He stated that is what the Town Manager has recommended to address the one-time upcoming peak in debt service. Funds have been set aside in the Debt Service Stabilization Fund to be used later for debt service rather than being spent this year. The recurring funds will later be redirected to services like full day kindergarten or public safety positions.

Mr. Connelly asked if there is room in the High School for 3.7 additional FTEs. Dr. Gutekanst stated that those FTEs are pieces of teaching positions and fall into categories like English and Social Studies, and that with the appropriate scheduling, there is space. Mr. Connelly noted that the enrollment figures going forward do not reflect the effect of new programs being offered at the Minuteman School. He recommended that the effect of those programs should be worked in to those figures.

### **School Department - Capital**

Mr. Zimbone asked for the detail behind the technology request, since the summary shows one bottom line.

### **Minuteman School Assessment**

Mr. Davison stated that the preliminary assessment has been received, and that the final assessment should be available in February. He stated that his original projection was \$882,787, but the preliminary assessment is \$806,252. Mr. Connelly stated that the assessment will be over \$1 million when the capital project proceeds. Mr. Zimbone stated that this increase will be at the same time as the full day kindergarten and public safety increases.

DISCUSSION: Ms. Miller stated that the Schools' proposed reductions include only \$34,500 of cuts, and the rest is just funding that is not needed or reallocated. She stated that it is a good idea to be looking ahead to future budgets, and that we need to be careful not to be taxing homeowners today for things for tomorrow. She stated that if the Town does not need all of the taxes collected, as it did not last year, then we should step back and think about whether we are funding future expenses only because we have the money. She stated that people should think about at what point money should be turned back to taxpayers, and then ask for increases later when needed. She cautioned against dreaming up new programs because there is money. Mr.

Reilly stated that full day kindergarten has been an articulated goal for years. She stated that it needs to be weighed against other needs.

### **Finance Committee Updates**

Mr. Davison stated that the Governor did not reveal much at the Massachusetts Municipal Association conference. He stated that there will be a 2% increase in Chapter 70 funding and a 3.9% increase in unrestricted aid. He stated that little information was given about specific programs on the cherry sheet. He stated that the administration said that revenues are down, as they have been saying for months. He stated that what is most significant will be what the federal government does with respect to Medicare and Medicaid payments to the state. He stated that the state is vulnerable if the basis for payments is changed because we currently get a large percentage of funding compared to our population. If payments are changed, the state could have a significant gap to back-fill. Medical services inflation is running 10-15% annual which also affects benefits costs.

### **Adjournment**

MOVED: By Mr. Reilly that the Finance Committee meeting be adjourned, as there was no further business. Ms. Miller seconded the motion. There was no further discussion. The motion was approved by a vote of 7-0, at approximately 8:22 p.m.

Documents: Department Spending Requests FY2018; Chart: School Department Historical Increases; Presentation "Superintendent's FY18 Operating Budget Request" January 23, 2017; FY18 Support Services Presentation; Memorandum from Anne Gulati, Director of Financial Operations, Needham Public Schools, Re: Responses to Finance Committee Questions on Fy18 Budget, dated January 23, 2017; FY18-FY22 School Capital Improvement Project Request Summary.

Respectfully submitted,

Louise Mizgerd  
Staff Analyst

*Approved February 1, 2017*