

Needham Finance Committee
Minutes of Meeting of January 24, 2018

The meeting of the Finance Committee was called to order by Chair Richard Reilly at approximately 7:00 pm at the Center at the Heights.

Present from the Finance Committee:

Richard Reilly, Chair

Members: John Connelly, Carol Smith-Fachetti, Joshua Levy, Richard Lunetta, Louise Miller, Thomas Jacob

Others present:

David Davison, Assistant Town Manager/Finance Director

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 to Address Finance Committee

None.

Approval of Minutes of Prior Meetings

MOVED: By Mr. Jacob that the minutes of January 17, 2018, be approved as distributed, subject to technical corrections. Ms. Miller seconded the motion. The motion was approved by a vote of 7-0.

FY 2019 Department Budget Requests

School Department

Mr. Reilly distributed a chart showing that in FY14 and FY15, the School Department's budget in past years had received more than 50% of the total dollar increase in the Town's operating budget, and the School Department's percentage increase was higher than the Town's percentage increase. However in the more recent years, the School Department had received less than half of the budget increase and the School Department's percentage increases have been lower than the Town's percentage increases.

Dr. Gutekanst presented an overview of the FY19 budget voted by the School Committee which includes an increase of \$2.7 million or 4% over FY18. 2.6% of the 4% increase is needed to meet contractual obligations, 1.1% is needed to maintain level services. The remaining 0.32% is designated for program improvements. He described the 9.89 additional FTEs, of which 7.72 are requested to meeting special education and elementary and secondary enrollment increases. The budget assumes a 65% Circuit Breaker reimbursement rate, a lower amount which has precipitated an increase the out-of-district tuition expense. He described the recommended program improvements which include the Unified Team Sports inclusive program, an increased bus subsidy, an additional bus, and a late bus. He stated that another additional bus is needed,

and hopes to include that next year. Dr. Gutekanst described the items that were requested and deferred, in order to allow for the diversion of some recurring funds out of the FY19 operating budget in anticipation of the need for a \$2 million increase in FY20 for the opening of full-day kindergarten. The space needs study found that Mitchell School needs 2 new modular classrooms, with an estimated costs of \$1 million, which is not in the capital plan. Dr. Gutekanst described the requests that were deferred to prioritize full-day kindergarten, and that would be funded if additional funds were available, which included some staffing and the additional bus. In addition, he would restore \$107K in special education tuition to fully fund that cost. In response to a question from Ms. Miller, Ms. Gulati stated that if the \$107K is not funded, that they would prepay that tuition at the end of FY18 if there are additional resources. Ms. Miller asked what the Unified Team Sports cost would cover. Dr. Gutekanst stated that it would fund coaching stipend, uniforms, and transportation to launch this new program. Ms. Miller asked about the nature of the work of the Da Vinci Lab program specialist position that was not funded. Dr. Gutekanst stated that it would provide more supervision to work with more students on an individual basis.

Ms. Miller asked if the \$2 million for full day kindergarten would be incremental. Dr. Gutekanst stated that it would be incremental above the current operating budget. There are no one-time needs other than playground renovations at Mitchell, for which they are seeking \$300K in CPA funds. He stated that they will need to wind down the KASE program and will have the furniture and equipment from the program. Ms. Gulati stated that the \$2 million is a high estimate, and includes needed new furniture and technology, and art, music and wellness instruction, as well as ELL instruction (for English language learners.) Mr. Reilly asked if the related benefits expenses were included in the \$2 million estimate, although they would be in the Townwide budget, not the School budget. Dr. Gutekanst confirmed this. Mr. Reilly asked how the additional Circuit Breaker funds would be applied. Ms. Gulati stated that the Town could expect to receive an additional \$500K in reimbursement, based on the doubling of the kindergarten program, starting in the 2nd year. She stated that it would be a General Fund receipt, and not come in to the School Department. Mr. Reilly noted that the Town Manager has identified just under \$2 million of recurring funds that will be available in FY20, and that the funds have been set aside in the Debt Service Stabilization Funds. Dr. Gutekanst noted that those recurring funds will be needed for both full-day K and additional Police and Fire staffing.

Mr. Levy asked if there was space at other schools to house full-day K, rather than expanding at Mitchell. Dr. Gutekanst stated that the current space will be full. They will be able to use space that KASE is currently using, and will consolidate some special education. Mitchell enrollment is also expected to decline some, but new space is needed for the expanded K program.

Ms. Miller asked how they decided the ceiling of their request to determine which items to defer. Dr. Gutekanst stated that the request was just under 4%, but the Town Manager decided last week to shift a \$29K expense to the School budget to maintain a new telephone system. Now the budget request is for an increase of 4.03%, which they felt was mindful of the level of available resources, and showed restraint in an effort to prioritize full-day K in FY20. He stated that the cost of the phone system will be funded through the capital plan. Mr. Reilly commented that about 90% of this year's increase is for level services, and to expect next year's increase to be in the \$4 million range.

Minuteman School

Mr. Reilly stated that the preliminary budget estimate includes \$936K for the assessment. Mr. Davison stated that the number will be refined in February after the Governor's budget is released. He stated that it usually does not change. The major driver of the increase from last year is the debt service for the new building project.

Finance Committee Updates

Mr. Reilly stated that the Town Manager has released her recommended budget, but there has not been time to review it. He noted that there is a large amount of free cash expected which is all planned to be spent. Mr. Davison noted that some is earmarked for reserves. Mr. Davison stated that a portion of the \$9.7 million of the in Cash Capital is proposed to be used for the DPW storage project and the Memorial Park building to avoid debt. Mr. Reilly stated that in the past, some free cash has been left to carry in to the next year's free cash. Mr. Davison stated that \$2.5 million was carried over from last year.

Ms. Miller stated that the Committee needs to discuss Town's reserves: the purposes and the funding concepts. She suggested that the emergency funds could be connected to the need, such as having the Capital Facilities Fund be tied to the amount of facilities owned.

Mr. Lunetta asked about the advice of the health care consultant. Mr. Davison stated that they are trying to reach agreement with the unions to roll out high deductible plans. He stated that there is no report, but that the consultant reviewed the claims data and found that the Town is better off with West Suburban than to go out on its own. No insurer would offer a quote. He stated that the using GIC would not work.

There was discussion about workshops at the Mass. Municipal Association annual conference. Mr. Reilly stated that there is not much ability to control health insurance costs. He stated that some towns are proactive about trying to reduce claims. Mr. Lunetta stated that wellness programs have not been found to be able to affect losses enough to affect premiums.

Mr. Levy stated that in the Committee's review of issues, it would be more effective to look at multivariable comparables, instead of isolating single factors.

Adjournment

MOVED: By Lunetta that the Finance Committee meeting be adjourned, there being no further business. Mr. Jacob seconded the motion. The motion was approved by a vote of 9-0 at approximately 8:30 p.m.

Documents: Town of Needham FY2019 Department Spending Requests; Table of Operating Budget and School Budget Increases; School Department FY2019 Budget Presentation

Respectfully submitted,

Louise Mizgerd
Staff Analyst