

**Town of Concord
Finance Committee –Guidelines Subcommittee
Meeting Minutes - October 24, 2019**

Present: Dean Banfield, Peter Fischelis, Greg Guarriello, Mary Hartman, John Hickling, Richard Jamison, Dee Ortner, Karle Packard, Parashar Patel, Christine Reynolds, Wade Rubinstein, Phil Swain, Brian Taylor, Thomas Tarpey and Andrea Zall

Absent: None

Others Present: School Superintendent Laurie Hunter; School Committee Members Heather Bout, Wally Johnston and Cynthia Rainey; Select Board Member Michael Lawson; Finance Director Kerry Lafleur; School Director of Finance & Operations Jared Stanton; LWV Observer Diane Proctor; Recording Secretary Anita Tekle

Meeting Opened

Ms. Hartman called the meeting to order in the Select Board Meeting Room at the Town House at 7:00 pm. She announced that the meeting was being televised and recorded by MMN.

Concord Public Schools & Concord-Carlisle Regional School District

Ms. Bout thanked the School Department’s (SD) “new team” of Dr. Hunter & Mr. Stanton for its change in attitude and mentality towards the budget process. She also thanked the Finance Committee (FC) for the opportunity to present additional budget information this evening.

Mr. Stanton reviewed the Zero Based Budgeting (ZBB) process, which requires all expenses to be justified. He noted that savings have already been identified, including c. \$26K for CPS and c. \$18K at CCHS for printing costs alone, mostly from redundancies. He noted that all the budget timelines have been met to date. He reviewed budget performance numbers for FY18 and FY19, noting that circuit breaker funds were used in FY18 to pre-pay some of the special needs out-of-district (ood) tuitions in FY19. In reviewing CCRSD revenue performance numbers, Dr. Hunter noted that the timing of Concord’s budget cycle does not match with the state-aid budget cycle, so revenue estimates are made conservatively. Below is a summary of the CCRSD surplus funds as of 6/30/2019:

Revenue Category	Amount of Surplus
School State Aid (Chapter 70)	\$221,080
Transportation State Aid (Chapter 71)	\$107,315
Interest (budgeted too low)	\$122,893
Unspent FY18 Purchase Orders (these are from open/unspent encumbrances—now closed)	\$ 91,751
Miscellaneous Revenue	\$ 46,200
Rental of Facilities	\$ 18,324
Charter School Reimbursement	\$ 2,211
Total (revenue received over amount budgeted)	\$609,774

Dr. Hunter explained that restructuring and making organizational changes is an ongoing process. She continues to look for areas to improve. She noted changes in Special Education (SPED) leadership positions, adding a Director of Student Services, and Out-of-district Coordinator, and Team Chairs to oversee the process, with the goal of bringing more SPED students in-house. She is also looking to identifying in-house services for non-SPED students. In response to a question from Ms. Ortner, Dr. Hunter indicated that in-house SPED programs at the elementary/middle school level will be able to be sustained once these students get to the high school. She noted that overall high school enrollment is declining, although enrollment is shifting from Carlisle to Concord. She also noted that there are no plans at this time to offer English language programs for parents of non-English speaking students.

Other changes noted by Dr. Hunter include: centralization of purchasing; reducing printing and copying costs; centralizing student registration; and continuing the changes in IT cost classifications and reporting to be in compliance with the Department of Education. New Assistant Principals at the elementary level is a reallocation of existing specialist positions (i.e., reducing the teaching time of one specialist in each school, freeing up that individual's time to serve as Assistant Principal).

Mr. Stanton reviewed SPED ood costs for CPS, as follows:

Funding Source	FY18 SPED Tuitions	FY19 SPED Tuitions
General Fund	\$1,628,124	\$1,431,689
Circuit Breaker	\$ 858,809	\$ 718,671
IDEA Grant	\$ 503,681	\$ 493,382
TOTALS	\$2,990,614	\$2,643,742

Mr. Stanton noted that the FY18 expenditures include prepayment of some FY19 costs, using circuit breaker funds. He indicated that in the future, a better breakdown of these prepayments will be made. He reviewed the SPED ood costs for CCRSD, as follows:

Funding Source	FY18 SPED OOD Tuitions	FY19 SPED OOD Tuitions
General Fund	\$2,202,877	\$2,992,188
Circuit Breaker	\$ 902,218	\$ 470,000
IDEA Grant	\$ 352,995	\$ 308,817
TOTALS	\$3,458,090	\$3,771,005

Mr. Stanton explained that there was no FY19 prepayment of SPED ood costs at the high school in FY18. This was intentional, since an effort was made to build up funds in Excess & Deficiency (E&D) to satisfy bond raters, and to satisfy the state requirement that the SD spend in circuit breaker funds no less than the amount that was spent the previous year. Dr. Hunter noted that the SD spent \$684,000 in transportation SPED expenses, which are not subsidized by the State. This policy is currently under review in the state legislature. Mr. Stanton reported that the balance in E&D as of 6/30/2019 is \$1,382,414 (c. 4% of budget), which represents a significant increase from FY18. Dr. Hunter thanked the FC for its assistance in achieving this goal.

Enrollment Mr. Stanton reported that K-8 enrollment projections are level through FY21. As of October 1, 2019, enrollment was 2,047. CCRSD enrollment projections are relatively level through FY25, but Concord's share continues to rise (from 75.25% on October 1, 2018 to an estimated 76.9% on October 1, 2020).

CPS Capital Planning Mr. Stanton reported that he is in the process of updating the 5-year capital plan to stay within the Town Manager's budget. No additional warrant articles are anticipated by CPS for the FY21. Capital funds for repairs at the existing middle school buildings will only be for emergency purposes. Dr. Hunter noted the extraordinary benefits of keeping all sixth grade students together in one building (Peabody), and combining seventh and eighth grade students at Sanborn. In the new unified middle school building, she hopes to provide sixth graders with their own space. The positive benefit of this separation has been noted in the visits to area newly-constructed middle schools. In response to a question from Ms. Hartman, Dr. Hunter estimated \$500K in annual savings by having one middle school building. Ms. Ortner urged Dr. Hunter to look to the Light Plant for assistance in identifying energy improvements at the new middle school.

Transportation Mr. Stanton explained that the SD is continuing to develop a 10-year replacement cycle for school buses. CPS currently owns one electric bus, and grant funds are being requested for an additional electric bus. The cost of an electric bus is approximately four times the cost of a gasoline bus, although the energy savings are significant. The electric vehicle charge is located at Knox Trail. The mileage range for one "charged" electric bus is c. 70 miles.

Collective Bargaining Mr. Stanton explained that there are five CPS bargaining units. Increases for FY20 are 2.75% for all units (2.5%-2.75% for CTA) for the COLA increase, plus movement in steps and lanes for those who are eligible, making a total average increase of c. 4% for most employees (those not at the top step). In FY20, CTA teachers are in alignment with CCRSD teachers. Ms. Hartman asked whether external metrics were used to identify the COLA increase. Dr. Hunter responded that the goal in FY20 was to "sync up" the teacher contracts of CPS and CCRSD. After January 1st, she will begin the conversation about how to identify the COLA increase going forward. Ms. Hartman remarked that annual increases of 2.75% are not sustainable. Mr. Hickling noted that the COLA increase for social security recipients is 1.6% for 2020, and he asked for a commitment that metrics would be used in future negotiations. Dr. Hunter deferred to the School Committee.

The OPEB liability was confirmed to be \$4.5 million. Ms. Ortner asked for an estimate of the number of teachers expected to retire in the next five years, and how fully-funding OPEB at CCRSD by 2038 will factor into the costs. Mr. Stanton responded that this will require some guessing, but he could put together some estimates. **[FOLLOW-UP]**

REQUIRED] He also noted that Moody's indicated that CCRSD has the highest percentage of OPEB funding of any regional school district.

Dr. Hunter noted that department requests for FY21 salary and lane changes are due by November 1, so the salary budgeting for FY21 will be done more accurately. Dr. Hunter noted that the CPS tuition assistance budget is \$30,000, with a current cap of \$900/person/year, so funds are frequently depleted early in the year. The CPS teachers union worked collaboratively with the SD to solve this problem, and the annual maximum has been reduced to \$600. Mr. Stanton explained that there are six CCRSD bargaining units. COLA increases for FY20 are 2.75% for most units; 2.50% for tutors; and 2.5%-2.75% for teachers.

OPEB Funding CCRSD Mr. Stanton anticipates receipt of the actuary report in January (with numbers as of 6/30/2019). The District expects to be fully funded in 2038. Due to changes in the formula, the ARC will no longer be used to determine the annual funding. The new formula provides for a lower payment in place of ARC. This will partly make up for the underfunding done in recent years. Health care costs for retirees continue to increase, primarily due to an increase in the number of retirees participating. Mr. Stanton thanked Ms. Lafleur for her efforts to encourage employees to enroll in the higher deductible plan (with incentives to do so). The District has experienced savings as a result of this offering.

External Funding External funding for both CPS and CCRSD is expected to decline in FY21, with anticipated decreased funding in federal grants, METCO grants, and SPED circuit breaker funds (partly due to fewer food placements). Mr. Swain inquired about the status of the conversation with Carlisle about more equitably sharing in the costs of the high school (Ripley office space; Knox Trail bus depot capital costs). Dr. Hunter noted that operating costs of Knox Trail are funded 60-40 CPS/CCRSD now. She indicated that she is working on "tidying up" the operating costs at Ripley, which have not been shared with Carlisle. Mr. Swain asked that the capital costs also be discussed, noting the \$4 million historical costs borne by Concord alone. He suggested that Carlisle be charged a rental cost for Knox Trail and Ripley, if that is easier to calculate. Dr. Hunter agreed to continue the conversation with the School Committee. **[FOLLOW-UP REQUIRED]**

In response to a question from Ms. Hartman, Dr. Hunter noted that she is thinking about whether any warrant articles for capital expenditures will be brought to town meeting in 2020 for the high school, noting that the proposal last year did not pass. She noted that parking continues to be a challenge. Ms. Hartman noted that benchmarking salaries was not discussed. Dr. Hunter responded that she uses data for every decision, and is happy to share those figures with the FC.

Ms. Reynolds asked for a clarification of the overhead and instructional line items (Curriculum Directors, Department Heads, Department Chairs, etc.)—are these all

separate individuals? Dr. Hunter responded that it varies—Department Chairs at the high school are teachers who receive an additional stipend for serving as Department Chair; Department Chairs at the middle school are teachers who receive a stipend, but they have more teaching responsibilities than teachers at the high school. The Curriculum Director is one individual with no teaching responsibilities. The Principals and Assistant Principals are separate positions. Mr. Stanton agreed to provide a more detailed breakdown of the “2000” instructional line items, to clarify these points.

[FOLLOW-UP REQUIRED] Mr. Patel asked whether any cost savings/program reductions have been identified for FY21. Dr. Hunter responded that ideas are being put together, and more information will be available at the November meeting with the FC.

Mr. Banfield remarked that this is the second year that school officials have asked for additional time, pushing the budget schedule out by a week. This year, the FC was able to accommodate the request, since the warrant is closing a week later than usual. He indicated that this will not be possible in the future, since the FC is required to push its review as well. Dr. Hunter expressed her gratitude for the additional week. Mr. Banfield asked whether the schedule delay is due to ZBB. Dr. Hunter responded that it is mostly due to delays in obtaining FY20 actual costs, with school starting two months into the fiscal year. In response to a question from Mr. Packard, Dr. Hunter noted that most of the staff is hired prior to the start of the school year, although some hiring is not done until late in August. She felt that the quality and accuracy of the FY21 projections are improved with the later budget due date. Mr. Stanton noted that the budget will next be presented to the School Committee on November 19.

Vote FY21 Tentative Guideline

Ms. Lafleur reported that we have an unused levy capacity of \$4,068,174, which is 4.25%. This higher than anticipated number is partly due to new growth coming in at a higher rate than anticipated, due mostly to small building projects. She noted that there is a \$279,000 estimated enrollment shift cost (Carlisle to Concord) projected in FY21. The FY20 preliminary guideline was \$2,817,500 (3.45% overall increase). The final FY20 general fund increase in the property tax was 3.58%. After factoring in fixed costs, Ms. Lafleur estimates that we will have \$2,365,718 in new revenue to allocate to the guideline in FY21, to be divided up between the budget entities. Under this scenario, the unused levy limit would not be touched. It was suggested that the \$279,000 high school “shift” be added to the amount given allocated for the high school.

Several scenarios were considered for dividing the funds. One suggestion was to assume \$3 million be available for funding the guideline budgets for the four entities—Town, CPS, CCRSD, and Minuteman. This would require tapping into the unused levy limit, decreasing the balance to \$3,433,892 (using \$634,282). Mr. Taylor expressed concern that eating into the unused levy limit was not sustainable, and **Prop 2½ overrides would be required for operating budgets in the future.** Ms. Hartman noted that the Sustainable Growth Rate (SGR) number for FY21 is 2.16%, which would

allocate only \$2,110,000 to the guideline budgets. She felt that implementing the SGR would be more realistic over 3-5 years, on a “glide path.”

After further discussion, and on a **MOTION** made by Mr. Swain and seconded by Ms. Ortner, it was unanimously **VOTED**: To adopt a guideline budget increase of \$2,860,000 (3.25%), to be allocated as follows, and to recommend these numbers to the full FC for approval:

Town	\$ 717,666 (2.5%)
CPS	\$1,242,223 (3.15%)
CCRS	\$ <u>900,111</u> (4.50%) -- includes \$279,000 for the enrollment shift
Total	\$2,860,000 (3.25%)

There was additional discussion regarding the three-year trajectory of a budget increase of 3.25%, with the suggestion made that this number would decline to approximately 2.75% next year, etc., in a continued effort to implement the SGR over time.

Adjournment

The meeting adjourned at 9:23 pm. The regular meeting of the FC started following the adjournment.

Respectfully submitted,

Anita S. Tekle

Documents Used or Referenced at Meeting:

- FY21 Preliminary Budget Report for Concord-Carlisle Regional School District
- FY21 Preliminary Budget Report for Concord Public Schools