

Minutes, January 15, 2020

FINANCE COMMITTEE

Meeting, January 15, 2020

A scheduled meeting convened at 7:00 p.m. at Town Hall in Room 5.

Present: Mr. Creighton, Ms. Mellish, Ms. Harrison, Mr. Oldeman and Mr. Weld

Absent: Mr. Pratt

Board of Selectmen: Mr. Boling, Ms. Driscoll and Mr. Bodmer-Turner

Staff Present: Town Administrator, Mr. Federspiel, Finance Committee Clerk, Ms. Hunter

MERSD: Superintendent Beaudoin, Finance Director, Mr. Urbas

School Committee Members: Ms. Erdmann and Ms. Cameron

Mr. Creighton called the Finance Committee meeting to order at 7:00 p.m.

Review and Approve Meeting Minutes – November 19, 2019 and January 7, 2020

Ms. Harrison moved to approve the minutes of November 19, 2019; Ms. Mellish seconded the motion. The motion passed with Mr. Oldeman abstaining.

Mr. Oldeman moved to approve the minutes of January 7, 2020; Mr. Weld seconded the motion. The motion passed unanimously.

Review of MERSD Proposed Budget –

Mr. Creighton requested an overview of the proposed budget.

FY21 Operating Budget Overview

- Initial Goal is to provide Level Services at a minimum
Maintains same level of program currently in place
Essential program changes historically funded via efficiencies/restructuring due to funding constraints, but few new reduction options remain
Cuts made between FY18-FY20 have not been restored
- Excluding mandated health insurance and special education tuitions, FY21 Level Services is affordable with confines of Proposition 2.5:
Annual growth excluding these statutory requirements is 2.98%
- Including all expenses, gap between Level Services and sustainable funding is \$400K, similar to FY20 Tentative Budget. Options include:
Cost saving opportunities and program reduction
Increased Town contributions
Use of one-time reserve funding (short-term solution only)

Superintendent Beaudoin introduced the budget discussion stating there were no new drivers for the District this year. The District was moving forward with a level services budget.

Mr. Urbas stated the District's goals are:

- Develop and deliver a fiscally responsible budget that maintains educational quality, supports District goals and aligns with our multi-year budget commitment to work within the confines of Proposition 2 ½.
- Manage Enrollment – strive to meet School Committee class size guidelines and serve increasingly diverse student educational needs
- Exercise fiscal responsibility – seek internal efficiencies to offset growth needs when possible
- Meet local, state and federal responsibilities while controlling growth

Mr. Urbas reported Chapter 70 increases proposed by the State are income tested and MERSD will likely not qualify for additional State support. Chapter 70 revenue is projected to increase at 1.6% in the District's FY21 budget. Non-town revenue is below increasing costs of programs.

In past budgets the District has come in with a target goal of hitting the levy limit mindful of Town assessments. Previous budgets have whittled down the proposed gap with reductions in staff through retirements and reallocation of positions. The District can no longer make these reductions without impacting programs.

In the FY18 budget the District absorbed a 28% increase in Health Insurance, as a result the District has lost flexibility.

FY21 Budget Summary

- FY21 Tentative Operating Budget = 27.06M. 3.83% (\$998K) spending increase from FY20 budget. Relies upon \$400K+ of yet-to-be-finalized spending efficiencies/reductions. By contrast, Tentative Budget gap was \$550K in FY19 and \$380K in FY20. 5-year average spending increase is 3.34%.
- Preliminary FY21 Operating Assessment Increase = 3.83%. Measures cost increase to Towns after deducting "other revenue" (e.g. State Aid) from spending needs. High end of MERSD's sustainable multi-year budget range. 5-year average assessment increase is just 3.30% amidst average State-Aid increase of 1.7%.
- FY21 Capital Budget = \$4.2M (down 1.5%). Second year of Memorial School project debt. Potential for modest additional savings pending opportunity to refinance 16% of MSHS debt.

Apportionment is based on the number of students, property values and number of residents. Initial apportionment estimate for FY21 anticipates a 4.3% increase for Essex and a 3.58% increase for MBTS.

FY21 Operating Budget Drivers

- Health Insurance: \$457K (40%) of spending growth. Initial rate increase of 8.5%, based on broker input. Savings possible as MERSD's preliminary utilization is strong/better-than-average. Monitoring monthly. Each 1% reduction in rate = \$43K.
- Out-of-District Tuitions: \$138K (10%) of spending growth. 16% growth in FY21, following 42% in FY20, due to move-ins and four \$100-\$200K residential placements. Excluding residential placements, OOD at historic low, due to MERSD's In-District programming. Savings possible, pending outcome of increased Circuit Breaker (State Aid) funding.
- Compensation: \$707K (50%) of spending growth. 4.19% growth – in line with multi-year budget model. No new FTE. 2.5% contractual COLA for FY20-FY21 plus 1.6% step/column. Savings possible pending retirements. Limited restructuring opportunities remain.

Superintendent Beaudoin stated the number of OOD placements was not increasing but the type of placement and special transportation needs were increasing. Ms. Mellish asked where students were placed for Out-of-District placements. Superintendent Beaudoin answered Southern New Hampshire, metro Boston and further if a residential placement is required for a handicap student or a student requiring specialized nursing care.

Mr. Urbas stated in an attempt to address the increase in operating costs the District would maintain the number of School Choice students accepted. Mr. Creighton stated 12 School Choice students were graduating in June 2020 and asked where the new students would be placed. School Choice students are incorporated into the elementary grades in classes with the lowest number of students.

Ms. Mellish asked about the number of School Choice Out students. Superintendent Beaudoin indicated the District is responsible for students who have special needs and choose to leave the District. Also, students who are home schooled were not accounted for as School Choice Out students but now are.

Ms. Harrison asked about students with special needs who came into the District through School Choice. Superintendent Beaudoin stated School Choice is a lottery and some students come into the District in need of an evaluation or requiring an IEP.

The District works with local Districts to provide support for special needs students and charges Inter-District tuition. The District currently has 2 students paying tuition.

Review of MERSD Proposed Capital Spending –

Ms. Harrison moved away from Special Education and asked what the Districts unaudited reserves are? Mr. Urbas replied unaudited reserves are \$3.4M or 13 ½% of budget. The increase in reserves is due to interest income of \$319K from the \$35M bond on the new Memorial School. The District is planning with the Towns and School Committee to use the

interest income for District Capital needs. Mr. Urbas mentioned turf field replacement and a new playground to replace Eagle's Nest at Essex Elementary.

Mr. Urbas stated there are multi-year implications for the District using reserves for operating expenses. However, the District will not be able to maintain level services without using reserves. \$375K is currently earmarked for the FY21 Budget from reserves.

Ms. Mellish asked what the turn-over rate was for employees. Mr. Urbas replied it was low and primarily for personal reasons. Mr. Creighton asked if new hires came into the District with the same step and column status. Superintendent Beaudoin stated employees carry their experience with them. Mr. Urbas stated in budgeting an assumption is a new employee will have a master at step 5.

Mr. Creighton asked about enrollment fluctuation and did the District anticipate an increase from the present 1,368. Mr. Urbas stated it is hard to predict and forecasting has been famously wrong. The primary increase in population is people moving around. The District anticipates an increase in enrollment with the completion of the new Memorial School.

Mr. Creighton indicated he had questions from Mr. Pratt. Most of his questions had already been answered but he was interested in knowing about students who moved OOD to Essex North Shore Agricultural & Technical School. Superintendent Beaudoin stated enrollment at Essex Technical School was likely going down. In the past year admission to has become more difficult but the Essex Technical School is a good match for the right student. MERSD students were always attractive to the school, however, the school has recently received push back for accepting too many students from Essex and Manchester.

Mary Foley, 1 Pulaski Drive – Ms. Foley asked about the amount the Town paid and wondered about the cost savings reflected in the District budget. Superintendent Beaudoin stated at the High School level in the 9th grade there would need to be an exit of 25-30 students in order to make a reduction in staffing.

Mr. Boling expressed interested in the cost estimate for Eagles' Nest playground replacement. Superintendent Beaudoin stated it was a straight comparable. Superintendent Beaudoin stated she is on the playground sub-committee, but she has been looking primarily at design, equipment and aesthetics. She knows there is a formula for placement, access, number of children and required square footage. The School Committee will work to develop a final figure for the new playground.

Ms. Mellish asked how the District planned on paying for the new playground. Superintendent Beaudoin stated using the interest from funds received from the loan for construction of the new Memorial School.

Mr. Federspiel stated (regarding the operating budget) using \$375K from reserves might present a challenge in the future. Superintendent Beaudoin agreed stating it is hoped the \$375K is a place holder and could be as low as \$250K. If the assessments are not possible for

the Towns the District will need to make cuts to staff, class size in elementary schools will increase and in the High School it may not be possible to fill schedules. The outstanding question is the Towns ability to afford the assessments? Mr. Federspiel stated the assessment for Manchester was \$50K above the budgeted amount but it was attainable.

Superintendent Beaudoin stated the District has called the budget Level Services but it is not. The District has taken a reduction annually for the past few years. The decline in enrollment gave the District the opportunity to reallocate resources which is no longer a possibility.

Mr. Creighton had two additional questions. How was the SRO position being paid? Superintendent Beaudoin stated it was being paid through contracted services budget line. The Town will bill the District. Mr. Creighton's second question had to do with the apportionment formula and the growth component. According to Mr. Urbas growth is not part of the formula. The assessment runs through the model and net growth is a result of the formula.

Ms. Mellish asked how many children from Manchester are enrolled in private schools. Superintendent Beaudoin stated at the elementary level it is between 10-12% of Town's children are enrolled in private schools; at the high school level it is between 14-15%. "Back in the day" private school enrollment was 30%. Charter schools and school choice resulted in 70 students leaving the District, which is one of the reasons the District relied heavily on School Choice for income.

Superintendent Beaudoin stated construction is going well and the new Memorial School is on time and on budget. She asked if the Town had received any complaints related to construction Mr. Federspiel replied no complaints – zero.

Mr. Creighton thanked Superintendent Beaudoin and Mr. Urbas for their presentation and looked forward to the Public Hearing on January 28th.

Review of DPW Operating Budget –

Mr. Dam and Mr. Desrosiers forwarded a memo to Mr. Federspiel stating following conversations with lead staff at the Water and Sewer Plants it was determined both employees plan to retire in 2021. Mr. Dam stated it is urgent to bring in new employees for the Water and Sewer Plants to start the licensing process and to have the new employees in place when the retirements occur.

Mr. Weld stated that changes the Committee's plans. According to Mr. Federspiel DPW must prioritize the Water and Sewer Plants for new hires.

Mr. Oldeman asked about outside contractors vs. in-house staff and what does a new employee buy the Town in the Highway Department? The Committee would like to definitively understand what projects DPW is going to do in-house. Ms. Mellish stated DPW adds people to their budget and the Town does not realize a savings. She mentioned Black Earth's take over of the land fill site with no reduction in overtime.

Mr. Boling asked if there was any change in the status with Essex and their Water Treatment operator. Mr. Federspiel stated the operator planned to remain in Essex for another year. Discussions were ongoing about the highly licensed operator becoming a shared resource. There is potential for the Towns to share the certified water treatment plant operator.

The Essex operator holds the highest license and it is possible for the operator to divide his time between the Towns. Mr. Creighton asked if this would replace Woodward and Curran, Mr. Federspiel replied it would and would result in significant savings for the Town.

Mr. Creighton asked if DPW needed to bring in Woodward and Curran if they were available to move quickly. Mr. Federspiel stated it would be harder to bring in a firm indicating when the Town went out to bid only Woodward and Curran bid on the contract. Firms are busy with existing contracts and private contractors face the same challenges finding fully licensed employees.

Mr. Oldeman asked Mr. Federspiel for his opinion on the request for the Highway Department. Mr. Federspiel stated the Highway Department was a challenge because of the older work force and because employees in the Highway Department are older, they have a lot of leave time and they use their leave time. It is often difficult to put together a 4-person crew. Ms. Mellish asked didn't we have performance issues with this Department? Mr. Federspiel stated yes, people were being paid and not working.

Mr. Weld stated the new position would pay for itself and would like to see DPW quantify the in-house savings. Ms. Mellish is also interested in hearing about the savings following the hiring of the Project Manager that was an additional position in DPW. What has that position provided and are there savings related to that hiring? Fully loaded position costs \$75K.

Mr. Creighton asked if the Committee approved the hiring of a DPW person would the Town realize a savings of \$75K in contracted services. Mr. Federspiel mentioned the pipe installed by DPW with a savings of \$200K. The Department can realize a savings. Ms. Mellish asked for examples of projects that could be completed in-house.

Mr. Federspiel cited catch basin cleaning, repair risers around catch basins, sidewalk repairs and redo stretches of sidewalk. The Town has the equipment to make these repairs. Additionally, the Town is not flushing lines as often as should be done and road repairs may be done in a timelier manner.

Mr. Weld stated there was \$450K in budget for storm drain and sidewalks would it be possible to take \$75K or \$50K off that line item? Mr. Federspiel stated some of that work was for Central Street culvert project and that is a larger project. Mr. Federspiel will ask for a list of areas that will offset contract work. Mr. Oldeman stated the Committee will want to review the projects and savings in a year.

Mr. Creighton asked if there was a consensus. Ms. Mellish and Mr. Oldeman would like more specific savings documented for the Highway position both are good with two new employees

in the Water and Sewer Departments. Mr. Weld asked if there was a contractual means to assure the Town would keep employees being trained for the Water and Sewer Departments. Ms. Driscoll stated there is a contractual agreement for new employees in the Fire Department that's a model DPW could use in negotiating.

Mr. Creighton stated the Committee will carry the DPW decision forward to next week. Next week the Committee will meet with Public Safety.

Review of DPW Capital Recommendations – Will be reviewed during the comprehensive Capital discussion.

Other Business, as may not have been reasonably anticipated by the chair (discussion only).

Mr. Oldeman moved to adjourn the meeting; Ms. Harrison seconded the motion. The motion passed unanimously.

Meeting Materials:

Minutes for January 15, 2020 and November 19, 2019

MERSD Budget Materials

FY 21 Preliminary Budget

Upcoming Meetings:

January 28, 2020 – Public Hearing MERSD FY21 Budget

January 29, 2019 – Joint Meeting with BOS review of Capital Budget