Lamoille North Supervisory Union and
Lamoille North Modified Unified School District
Finance and Capital Committee
Minutes of Meeting
December 28, 2020

Board Members in Attendance: Mark Stebbins, Mark Nielsen, Laura Miller, Angela Lamell, Katie Orost, Lisa Barry, Sue Prescott (arrived at 5:33 p.m.)
Others in Attendance: Deborah Clark, Catherine Gallagher, Wendy Savery, Jennifer Hulse, Charleen McFarlane, Diane Reilly, Eric Hutchins
Minute Taker: Sue Trainor

Call to Order, Approval of Agenda and Public Comment: Stebbins called the meeting to order at 5:03 p.m. Nielsen made a motion, seconded by Barry, to approve the agenda. The motion passed unanimously. There was no public comment.

FY2022 Budget Review: Clark asked that Hulse speak to the idea that Laura Miller had suggested in a recent meeting of bringing special education services currently being tuitioned out back into the schools. Miller explained there was an empty building and considering how much was being paid to send students to another school she wondered if there was an option available to provide them services in-house. Hulse stated this had been discussed on and off over the years. Hulse said that the special education rules were currently being reviewed. The State Board was reviewing how to implement the new funding law, Act 173. They anticipated new rules being put in place in FY22 but it had been put off twice already. The funding method would be a block grant instead of a reimbursement model. It was unclear how this new funding would impact the District.

In terms of serving these students in-house, Hulse stated that the District was not a mental health agency and the current therapeutic day programs were operated by mental health agencies. Hulse said if this was something the District was considering down the road there would need to be an understanding of what they wanted to build. The District had some students with some significant mental health needs who needed the expertise of a mental health program. While there was space at Belvidere, an administrator and staff would need to be there. It was unclear if that would save money overall. Hulse stated this was probably not the school year to look at it. Miller stated it would be a good conversation to have.

Clark then spoke about the Educational Quality Standards that she had forwarded to the Committee. She asked that it be reviewed.

Clark then presented the FY21-FY22 Lamoille North Supervisory Union budget to the Committee. Clark explained that the costs for Central Office included transportation costs, special education costs, excluding para-educators, and new investments in SU-wide personnel.

In response to mandated increases and changes to data filing systems and requirements at the State level, this budget would increase the part-time Data Manager position to a full time position. There would be money set aside for financial supports to support the continuation of the mandated conversion to the Statewide Uniform Chart of Accounts and the Statewide School District Data Management System. This proposed budget also increased the SU-Wide IT Systems Supports. These funds would not be spent on a person but would be spent on content filtering, JAMF (iPad support) on-site backups and Zoom and Google services. There had been an additional $60,000 in the budget for the Next Generation Anti-Virus. That was removed because the purchase would be taking place this fiscal year with capital funds.

The FY2020 Uncommitted Reserves had $664,406 available. Clark was recommending that $64,406 be put in the already established Maintenance and Repairs Fund. The Central Office building was owned by the MUUSD and so any work done on it came out of the MUUDS budget or MUUSD capital. There were ventilation problems that still needed to be addressed. Additionally, Clark recommended that $600,000 be applied to the FY22 budget to reduce general assessments.

The LNSU was looking at a total budget of $3,909,055. Transportation services in the amount of $1,727,386 that were direct billed, along with $63,000 of miscellaneous revenues, brought the assessment expenses to $2,118,669. Applying the reserves of $600,000 gave a FY22 Non-Special Education Assessment of $1,518,669. This was a 1.35% increase over FY21.

The LNSU FY22 special education costs were $6,396,244. Minus the estimated revenue of $4,029,439, the net special education assessment was $2,366,805. Combining that total with the non-special education assessment of $1,518,669 brought the total FY22 assessment to $3,885,474, or a 2.33% increase over FY21.

Clark outlined some of the revenue information, noting that the FY22 state offset for transportation costs was based on FY20 actual expenses. After March, the transportation expenses dropped. Therefore, the estimated FY22 transportation revenues from the State would also fall. While the expenses were holding level, the revenue was projected to drop substantially. This would result in a 13.32% increase.

Lamell noted that $600,000 in reserves was being applied and asked how much was used last year. Clark stated $415,000 was applied last year. Clark noted the Committee and Board could not adopt this budget yet because the equalized pupil information was not available.

Gallagher stated that people had the impression these large surpluses could be applied to anything that the Board chose, when in fact surpluses must go back to the taxpayers if they weren't being used for necessary items. Clark stated that was correct and that surpluses could not be hidden or set aside. The surplus needed to either be applied to the budget or restricted or committed to a purpose and the voters would vote on that. If the Board wanted to use the money for a different purpose, they would have to go back to the voters. Capital funds were the best way to use the surplus. The biggest unexpected expenditures came through capital, whether it was information technology or buildings. Clark noted that there was a large surplus now because COVID had shut things down.

Clark also reported that while the State held the FY21 tax rate down, FY22 would see a 9.5-cent statewide increase. The surpluses would help to keep the tax rate below the 9.5-cent increase.

Clark moved on to report on the FY22 LNMUUSD budget. Key items to note were:

- An increase to Pre-CLA Homestead rate of 7.582 cents;
- A comprehensive increase to education spending of 1.15%;
- The Elementary School budget, before assessment and revenues, was $8,784,364, up 5.27%;
- The Secondary School budget, before assessment and revenues, was $10,811,334, up 3.26%;
- The Special Education budget, before assessment, was $1,596,466, up 1.51%;
- The Operations and Maintenance budget was $2,723,630, up 3.86%;
- The Information Technology budget was $583,960, up 14.5%;
- The Board and Treasurer Budget was $56,290, a 0% increase;
- The Long Term Debt Budget was $678,302, down 31.61%. This was a result of the high school retiring some debt.
- The Total Assessment from the LNSU was $3,078,728, up 2.02%. The General Expenses Assessment was $1,141,367, up .49% and the Special Education Assessment was $1,937,361, up 2.95%.

Clark explained that the factors used in building the FY22 budget was an anticipated 3.79% increase in statewide education spending, a 0.03% anticipated increase in equalized pupils statewide, the growth in average equalized per pupil spending was 3.75%. The state property yield for FY22 was $10,763, a decrease from FY21 of $200, which was contributing to the State projecting a 9.5-cent increase. The income yield was dropping from $13,535 to $12,825, which would drive the tax rate up. The forecasted average state property tax rate would now be $1.635. The FY21 rate had been $1.54. The forecasted non-residential property tax rate would now be $1.73. The FY21 rate had been $1.63.

The excess spending threshold was $18,789 and the MUUSD was currently at $18,751. No penalties had occurred last year and none were currently anticipated for FY22. However, the elementary schools were bumping up against the threshold. The forecasted income sensitivity was 2.74%. The FY21 rate had been 2.51%. The estimated June 30,2020 combined unassigned fund balance that was available (excluding GMTCC) was $1,066,001. The combined reserve funds being applied totaled $600,000, with $300,000 being used in the elementary school budget and $300,000 being used in the secondary school budget.

The combined education spending would see an increase of 1.15%. The elementary school expenses would increase 3.87%. There was a 4.46% increase in the salaries line item. That was not a negotiated increase or a flat increase given to salaries. This particular line item included some new FTE's that had been added after the last meeting. It also included some horizontal moves and some sick leave buyouts. There was an expected 10% increase in health insurance. Health benefits were now being provided to ten domestic partners. There was also a Health Savings Account (HSA), which cost more to the employer. Long-term debt service was going down. FY23's budget was when the Hyde Park principal payments would start. The utilities line item was only going up 1.50% increase. School Nutrition Services would see a 15.88% increase. The cumulative increase in the elementary expenses was 3.87%.

Stebbins asked if the Hyde Park water expense increase was included in the utilities line item. Clark stated she would review that, as it definitely should be in that line item. Clark noted that would be a $23,000 increase.

The Union School expenses would be increasing 1.56%. The salary increases would increase 2.91% but, as noted earlier, this included changes to FTE's and horizontal moves. Benefits would increase 6.38%. Regarding the large percentage increase in long-term debt, Clark explained that the District had previously received a discount due to a refinance. So while it looked like a substantial jump, the long-term debt had decreased overall as a result of the retiring of the high school old bond, which was much larger than the new bond. Overall, there was a 1.56% increase in the union school expenses.

Currently, the spending per pupil at the elementary level was $18,631 with a threshold of $18,783. This didn't leave a lot to work with. Clark hoped that by January 11th she would receive a preliminary number from the State. That would then inform the Committee whether some cuts were required. There was a small amount of reserve funds available at the elementary level to use. The bulk of the surpluses were at the middle and high school level. The expenses for the secondary level resulted in a $75.82 per $100,000 of property value increase or 7.58-cent increase to the tax rate, which was better than the State was projecting.

Miller asked Clark for suggestions on how to address the threshold. Clark stated there should be a conversation about long-term plans in an executive session. Those conversations had begun earlier when they were discussing the facility use study. The Board needed to return to those conversations. The school with the lowest ADM at this point was $302,000 and that was just for the facility. That's why the education quality standards information was important, because student-teacher ratios needed to be met and breakout spaces provided.

Clark stated the Committee would meet on January 4th to ask for adoption of the budget from the full Board on January 11th. Clark stated she didn't see many changes in the numbers at that time coming from the District. They continued to wait to see what the equalized pupil numbers were from the State.

Other Business: There was no other business.

Adjourn: Orost made a motion, seconded by Nielsen, to adjourn the meeting at 5:56 p.m. The motion passed unanimously.