SCHOOL COMMITTEE

BUSINESS MEETING OPEN SESSION MINUTES December 11, 2019

Meeting:	School Committee
Date:	December 11, 2019
Location:	MERMHS Learning Commons
Attendees:	Pamela Beaudoin, Superintendent Avi Urbas, Director of Finance Shannon Erdmann, Chairperson Eric Bourke Sarah Wolf Ken Warnock Caroline Weld Ann Cameron
Absent:	Rachel Fitzgibbon
Guests:	Brendan Zubricki, Greg Federspiel, Eli Boling, Becky Jaques, Paul Murphy
Recorded by:	Gail Hunter

AGENDA

Call to Order – Ms. Erdmann called the School Committee Business meeting to order at 7:07 p.m.

Consent Agenda

- Acceptance of Warrants

Ms. Wolf moved to approve the Consent Agenda; Ms. Weld seconded the motion. The motion passed with noted unanimously.

Public Hearing

Manchester Essex Regional School District Tentative Budget for 2020-2021

Budget Goals

- Develop and deliver a fiscally responsible budget that maintains educational quality, support 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
    - Serve increasingly diverse student education needs
- Exercise fiscal responsibility
    - Seek internal efficiencies to offset growth needs when possible
- Meet local, state and federal responsibilities while controlling growth

Considerations in Developing FY 21 Budget

- Student Needs – Core Curriculum and Instructional Development (materials and instructional technology), Program Development, Training and Support, Staffing – class Size and Co-Curricular Activities.
- Special Education – In-District Programs, Out-of-District Placement, Transportation and support Personnel.
- Fixed Costs – Personnel Costs, Insurance (Current and Retiree/OPEB), Utilities and Transportation
- Facilities – Routine Custodial and Maintenance, Essex Elementary Maintenance Capital Planning, MSHS Maintenance Capital Planning and Support Memorial Building Project

FY21 Operating Budget Overview

- Initial goal 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 FY 18 – FY 20 have not been restored
- Excluding mandated health insurance and special education tuitions, FY 21 Level Services is affordable within confines of Proposition 2 1/2
    - Annual growth excluding these statutory requirements is 2.98%
- Including all expenses, gap between Level Services and sustainable funding in $400K+, similar to FY 20 Tentative Budget. Options include:
    - Cost saving opportunities and program reductions
    - Increased Town contributions
    - Use of one-time reserve funding (short-term solution only)

Mr. Urbas stated the District attempts to develop a level services budget and anything on top of that the District attempts to fund on its own. However, for FY 21 following 3 years of cuts, the result of the 28% increase in Health Insurance, while Heath Insurance has stabilized the cuts remain in place.

The District experienced an enrollment bubble and shifted resources to address the needs of the larger classes. Services were shifted over the past three years to address the needs of the larger classes in the MS and HS.

According to Mr. Urbas, the big story for the FY 21 Budget is Health Insurance and Out-of-District tuitions. At this point the District is still adjusting budget numbers hoping to get to a 3.8% increase for FY 21.

Superintendent Beaudoin stated the District has been able to close the gap by attrition because enrollment has gone down a bit and as enrollment shifted the District was able to not replace some retirees. Now the District is at the max for eliminating positions which in past budgets allowed for a decrease of $85K to $95K per position. The District is running out of levers to pull.

FY 21 Operating Budget Drivers

- Health insurance: $517K (40%) of spending growth
  - Initial rate increase estimate of 10%, based on Broker input
  - Underwriter's model shows 14% based on claims data, industry inflation trend (7-8%) manual/non-creditable rate and extended time/unknowns prior to spring renewal
  - Savings possible as MERSD's preliminary utilization (through August) is strong/better-than-average. Monitoring monthly. Each 1% reduction in rate = $43K
- Out-of-District Tuitions: $138 (10%) of spending growth
  - 16% growth in FY 21, following 42% in FY 20, 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 Cost of Living Adjustment (COLA) for FY 20 – FY 22 + 1.6% step/column
  - Saving possible pending retirements. Limited restructuring opportunities remain.

Mr. Urbas stated there are three areas that are driving the budget increase: Health Insurance, Out-of-District Tuitions and Compensation. Health Insurance increase is projected at 10% that is a conservative estimate. Hopefully the increase will be 7% which would result a $130K decrease in the current projection. The District made significant reductions in health care policy to fund OPEB which is currently at $2.2M. The health care savings were invested in OPEB.

Mr. Boling asked what the OPEB arc is currently? Mr. Urbas stated he believes it is at 1.8 but would need to confirm that. The District is investing approximately $600K per year with the investment growing faster than the arc according to Mr. Urbas.

With the development of in-house programming Out-of-District tuitions has recently been a significant savings for the District. However, in-house programs address more common student needs and do not address residential placements. The District is not able to provide residential services which cost $115K to $200K per student. Superintendent Beaudoin stated the District experienced a severity in placements in 2019 the result Out-of-District costs have increased significantly.

FY 21 Budget Overview

- FY 21 Tentative Operating Budget = $27.06M
  - 3.83 % ($998K) spending increase from FY 20 budget
  - Relies upon $430K of yet-to-be-finalized spending efficiencies/reductions – By contrast, tentative Budget gap was $900K in FY 19 and $380K in FY 20
- Preliminary FY 21 Operating Assessment Increase = 3.83%
  - Measures cost increase to Towns after deducting "other revenue" (i.e. State Aid) from spending needs
  - High end of MERSD's sustainable multi-year budget range – 5-year average assessment increase is just 3.30%, State Aid average increase is 1.7%
- FY 21 Capital Budget = $4.2 M (down 1.5%)
  - Second year of Memorial School project debt
  - Potential for modest additional savings pending opportunity to refinance 16% of MSHS debt

Mr. Urbas stated spending and assessment increases are targeted at 3.83%.

Mr. Boling asked if $100K was coming out of reserves? Mr. Urbas stated yes it related to the request from last year to reduce the assessment to 2.85% and Mr. Boling stated it was in this year's budget too, Mr. Urbas confirmed it was and to remove it would take the $430K budget shortfall to $530K.

Mr. Boling also asked about the additional spending for School Choice at $30K. Mr. Urbas stated that amount is for a student with a significant increment based on the student's needs. The student is a District resident, and the District needs to pay the increment for the student's placement.

Superintendent Beaudoin stated there is a high level of confidence the District will receive reimbursement for transportation this year, however fully funded transportation will be phased in over 4 years.

Budget Highlights: Revenue

- 3.7% growth in non-assessment revenue, in line with spending rate, reducing pressure on Town Assessments.
  - Recent growth has been much lower, but new State Aid program expected in FY 21
  - Increased Regional Transportation aid to $175K (25%) to reflect recent trend

- $55K estimate for new, phased OOD transportation reimbursement
- Assume only minimum Chapter 70 increase (1.6%) as new aid is targeted to urban districts
- Assume $25K decline in School Choice revenue (to $300K) accounting for large number of graduations.

Mr. Urbas clarified the last big class of School Choice students is in the senior class.

85% of the Budget is Staff

Staffing Not Included in Tentative Budget Preliminary

- Staffing Accomplished in FY 20 – **Level 1:** Health, Safety, Legal, Enrollment
  - High School – Reinstate 2015 Athletic Director and Assistant Principal Staffing – Athletic Director 60% AD, 40% Teaching, Dean of Students, .4 PE, .4 Foreign Language and .4 Art Teacher
  - District – SRO (after budget/partnership with Towns)
  - Memorial 1.0 Inclusion Specialist
- **Level 2: Best Practices/Expanded Effort** MS IRWL Reading Specialist
- **Deferred Staffing Requested FY 21 – Level 1**: Health, Safety, Legal, **Level 1.5**: Enrollment/Class Size/Caseload **Levels 2 and 3** the District can continue without

Superintendent Beaudoin stated the IRWL program is the most important potential staffing need to watch. This program is for students with dyslexia. The IRWL program allows the District to keep the number of Out-of-District placements down, IRWL program delivers a comparable service to Landmark. This program could cost more not to staff than to send students out-of-district.

Discussion –

Mr. Urbas stated with the $430K gap in the current budget, the District is in a position to possibly save $130K in Health Insurance assuming the renewal is 7% not the projected 10%.

50% of District staff is on the family plan. Superintendent Beaudoin stated the District was interested in adding HAS as an option as recommended by Mr. Pratt, a MBTS Finance Committee member but because of contractual agreements and legacy options, the District was unable to add HAS. The District is at its maximum number of insurance policy options. The Teacher's Association was not opposed to adding HAS but it was not possible with the insurance carrier.

Superintendent Beaudoin stated there are discussions taking place around creating one state-wide Health Insurance retirement fund but that is in the future.

Mr. Urbas stated the OPEB contribution was part of a negotiation with the teacher's union. Ms. Erdmann asked where the District was in terms of being fully funded for OPEB. Mr. Urbas stated we are where we need to be. Initially actuary projected the current rate of contribution would reduce the District's arc gap by 90%. The District is in good shape, Mr. Urbas will request an updated actuarial report.

Ms. Erdmann summarized: the 28% Health Insurance hit resulted in the District paying more than $1M out of the operating budget and wiped out funding the District received as a result of the Override. Leaving the District without the funding required to fully fund level services going forward.

Superintendent Beaudoin stated the District is running out of areas to close the gap. We are going to work creatively to solve the shortfall, but it will be challenging, and the District will likely be looking at using reserves.

Financial Reserves -- Historical

- Flat in FY 19, excluding non-recurring inflows (construction interest, footbridge insurance reimbursement)
- Moving funds to stabilization to cover impending capital needs (turf replacement, Eagles' Nest, EES heating and MSHS)

Mr. Urbas stated $318K in interest from the construction bond was being earmarked for capital replacement. The District also received a $170K insurance reimbursement for the footbridge. These two items bring the stabilization account from $0 to $488K.

Reserve fund is currently at 13.5%. However, there are immediate capital needs both the turf field replacement and playground at EES are safety concerns, the backup boiler at EES is as old as the building and an outstanding question remains can the roof at EES last until 2034 when the bonds are paid off the MHS.

The District has a new facilities manager who started in August. He is working to develop a comprehensive Capital Plan which Mr. Urbas hopes to present in January 2020.

Discussion:

The District launched Clear Gov web site. Information on the web site is currently through FY 18 and will be updated through FY 19 following the District audit in March 2020. Information on Clear Gove is developed with information from the Department of Education and is not consistent among Towns and Districts.

Ms. Cameron wanted those present to understand there were data challenges resulting in discrepancies and that the challenges were being addressed by the Department of Education and the District. Superintendent Beaudoin stated the basic information in Clear Gov is straight forward and comparable. However, areas like technology, software, lease agreements and programming are inconsistent for purposes of comparison.

Mr. Warnock asked if enrollment this year was the same as last year? Mr. Urbas confirmed that enrollment this year is the same as it has been for the past two years. Mr. Urbas also stated he has not reviewed the apportionment formula which is based on a 3-year average of enrollment for the Towns. He believes it will be similar to last year.

Mr. Federspiel asked if the 3.85% increase was something that would fly in Essex. Mr. Zubricki stated it was going to be difficult, in the past the Town has relied on sources of revenue which are no longer available and now they are at 2 ½ plus new growth and in a small Town (like Essex) new growth is limited. Last year was really tight there are items in this year's budget that are no longer needed. The Town needs to complete its budget analysis and he anticipated a very close budget year.

Mr. Urbas stated to reduce 1% of assessment growth for the District the cost would be $270K, 3.85% to 2.85% would reduce the budget by $270K.

Ms. Cameron stated eating into reserves is a bad way for the District to manage its budget and the School Committee is looking to the Towns to see what they can do to help.

Superintendent Beaudoin stated in the past the big cuts have come from staffing at $400K and the District has implemented budget cuts as low as $3K from the nurse's sub-line. She went on to state she is not optimistic the District can trim the budget without cutting programs.

The discussion about Elementary Foreign Language will come up again. Superintendent Beaudoin stated the District would loose a program it cannot get back. She stated it may be necessary to increase class size at the Elementary Schools and add School Choice students to every empty seat. There are not a lot of good options according to Superintendent Beaudoin.

Superintendent Beaudoin pointed out it is a weird situation to be in when the District has resources dedicated to Capital needs like the playground and turf field and on the other hand, we may need to cut 3 teachers and cut an exploratory program in the elementary school. Superintendent Beaudoin stated she does not know how to square the choices.

Mr. Urbas stated the District has tried to keep reserves as one-time funds and has managed to do that, but it is getting tighter to manage. In the big picture Proposition 2 ½ does not cover level services and that is the story for nearly all school districts. Additionally, Towns will tell you Capital infrastructure is 50 years behind where it should be and 2 ½ does not fully support their needs.

Mr. Boling asked where in the process the District would run out resources and need to cut services. Superintendent Beaudoin indicated she thought by utilizing reserves the District could make it three years.

Superintendent Beaudoin stated Out-of-District spending in an uncontrollable expense that spikes and drops as students move in and out of District. She considers the use of reserves to fund the erratic spikes for catastrophic expenses is reasonable and other Districts fund a specific stabilization account to provide for these expenses. Superintendent Beaudoin also stated in the past the District carried a contingency of $200K for these expenses but needed those funds in recent years to cover the operating budget.

Mr. Boling indicated MBTS has some breathing room but to direct resources to the District would require trade offs in Town projects. Mr. Zubricki indicated Essex had no additional capacity at this time.

Ms. Cameron asked if there was a possibility to developing a regional insurance plan?

Mr. Federspiel suggested if the District could hold off on capital expenses until FY23 or FY24 when the MHS debt dropped off the District could direct funds from capital debt to capital exclusion and pay for capital projects by utilizing capital exclusion and not incurring interest costs. This could also curtail the need for an override.

Superintendent Beaudoin stated if the new state formulas fully funded transportation costs the reimbursement may be $250K to $300K.

Superintendent Beaudoin is cautious about taking the program apart and stressed the importance of maintaining programs in anticipation of the opening the new Memorial School. She concluded by stating the District has more options coming out of the meeting and looks forward to additional creative thinking in order to address and solve the challenges.

Adjourn

Ms. Wolf moved to adjourn the meeting; Mr. Warnock seconded the motion. The motion passed unanimously.

School Committee Future Meetings

- December 17, 2019
- January 14, 2020
- January 28, 2020 Final Budget Heating, Essex Elementary