

FINANCIAL PLANNING COMMITTEE MEETING

Wednesday, March 4, 2020 – 5:30pm
Natick Town Hall, 13 East Central Street, Dlott Meeting Room, 2nd Floor

MEETING MINUTES

This meeting has been properly posted as required by law.

MEMBERS PRESENT:

Karen Adelman-Foster, Select Board representative
Cathi Collins, School Committee representative
Peter Gray, Director of Finance, Natick Public Schools (until 5:40)
Henry Haugland, School Committee representative
Patrick Hayes, Finance Committee representative (at 5:38)
Rick Jennett, Select Board representative
Melissa Malone, Town Administrator
Anna Nolin, Superintendent of Schools (at 5:40)
Linda Wollschlager, Finance Committee representative

NOTABLE ATTENDEES:

Charlie Hughes, Former member of Select Board
Sean O'Brien, Assistant Finance Director
John Townsend, Deputy Town Administrator/Finance Director

AGENDA:

1. Open Session
2. Citizens' Concerns
3. Announcements
4. New Business
 - a. Discussion of possible Operational Override – form of ballot question(s)
5. Old Business
 - a. Continue discussion related to budget planning for FY 2021 and beyond
– updates on revenue and expense projections
 - b. Discussion of possible Operational Override – form of ballot question(s)
6. Meeting Minutes
 - a. February 19, 2020

OPEN SESSION

Meeting was called to order at 5:32 p.m. by Cathi Collins, FPC Vice Chair.

CITIZENS' CONCERNS

None

ANNOUNCEMENTS

Ms. Adelman-Foster reported that the Select Board accepted the FPC's recommendation that should there be an operating override, it will be scheduled for March 2021.

NEW BUSINESS

None

OLD BUSINESS

Ms. Malone stated that healthcare rates from West Suburban Health Group are available and an update will be provided to the Select Board on March 9. Rates are close to projected levels. She is working with the School Department to determine the appropriate number of FTEs who will be receiving health insurance from the town.

Ms. Malone reported that, overall, the budget has not changed much since the January 2 preliminary budget. She explained that \$200K for Redevelopment Authority of Natick (RAN) was needed instead to shore up Police compensation, which had some parts which hadn't been accounted for. There were savings from Keefe Tech, which will have fewer Natick students next year. Enterprise insurance and workers compensation had increases while state aid decreased.

Ms. Adelman-Foster asked if any major question marks had surfaced at Finance Committee meetings. Mr Hayes reported that Finance Committee subcommittees are currently meeting with department heads, and these subcommittees have not had their minutes or draft reports approved.

Dr. Nolin reported that the budget gap was about \$330K vs. the Town Administrator's preliminary budget, which is much better than last year at this time when the gap was about \$4M. Mr. Haugland stated that reduced Title 1 funding and new Norfolk Aggie applications comprise the bulk of the delta. He stated that the gap will be not be easy for the School Committee to resolve.

Dr. Nolin clarified that there are 5 Norfolk Aggie applicants, some of whom receive special ed services, but not all may be admitted. Tuition is \$25K with special ed services assessed based on services provided. Typically, the additional fees will not exceed \$16K, although there is no fixed ceiling.

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Ms. Malone stated that next year's budget is hard, but doable. She pointed out that she has not seen a budget the size the School Department's without year-end turn backs. She said that she didn't think it was fair to put the Select Board in the position of having to find more money.

Dr. Nolin pointed out that there are also encumbered funds which, when released, will fall to free cash. Mr. Gray stated that because of limitations of the Purchase Order system, encumbrances are made to ensure that payment can be made if purchases are not complete until after the fiscal year close.

Mr. Jennett asked if the school budgets were showing any excess funds at the end of the year that should have been turn backs.

Mr. Gray stated that the largest turn backs have been from encumbrances for utilities, where bills aren't known until the final bills come in. Mr. Townsend stated that the largest turn backs on the municipal side are for salaries. Mr. Gray mentioned that DESE does not allow the schools to reallocate salary funds for other expenses without School Committee approval.

Mr. Jennett asked to clarify his understanding that all expenses for the town, including schools, have to go through the Comptroller's office and that a check can't be written unless an account has funds. This was confirmed by Ms. Malone. She stated that school encumbrances for FY19 were \$393, 859, and turn backs were \$3.

There is also a general encumbrance fund for the Schools of about \$40K that would cover items without purchase orders. If bills were to exceed the encumbrance amount, town meeting could provide funding under the Unpaid Bills article. If, in looking at historical data, an overspend is likely, a freeze on all non-emergency purchases will be issued.

Mr. Hayes wondered how the conversation on encumbrances is helping to further the process for determining what Town Meeting is going to be asked to appropriate for all the different departments.

Dr. Nolin said that her interpretation of Ms. Malone's concern is that a budget the size NPS' should be able to absorb the budget shortfall. Dr. Nolin stated that she can't say there is \$300K in savings right now.

Mr. Gray stated that, based on prior experience in other districts, his biggest concern about FY21 is the unknown utility costs associated with the new KMS opening. Even though the building is more energy efficient, it has a larger footprint and will have increased utilization at night.

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Ms. Adelman-Foster stated that it's an accomplishment for the School Committee and Town Administration to be down to the last \$300K and acknowledges that this was not easy. She is much more concerned about being able to fund a sustained increase in the NPS or other department budgets within a realistic override amount.

Dr. Nolin pointed out that there is a hump to get over for the Kennedy opening, and that, excluding Kennedy, the overall budget increase is 5%. She also mentioned that, when comparing Natick to other schools, Natick's budget is all-in. Other districts have specialized stabilization funds that are separate from the operating budget. She expects that we will see a return to percentage increases in previous years. She stated that she and Ms. Malone are aspiring to develop a more predictable way to determine the budget impact of factors such as new development.

Ms. Adelman-Foster stated that we have been underfunding the schools for years. Mr. Haugland said that the almost 900 students added in 10 years are still moving through the system. He is concerned that there is no discussion on school quality and mentioned that Natick is 24th in the state according to Niche rankings. If smaller systems are excluded (under 4000 students), then Natick is 10th.

Dr. Nolin stated that the current budget includes five staff members redeployed from lower parts of the system to address the enrollment bubble; positions are not just added on. The NHS graduating class size is smaller than the current 5th grade class size. Grades under 5 are consistent in size with the 5th grade.

Mr. Hayes pointed out that everyone wants high quality services and schools, but there are limited resources available and everything has a set of tradeoffs. The Finance Committee's job is to provide a set of recommendations to Town Meeting as to whether the tradeoffs can be done and still deliver the level of services.

Ms. Wollschlager expressed frustration that there isn't a forum to explicitly debate and articulate tradeoffs that are made, outside of Town Meeting. Structurally, these big conversations are not part of any board's responsibilities.

Ms. Adelman-Foster added that the Select Board, as a policy-making board, has a different role than the School Committee and does not oversee the budget to the same level of detail.

Ms. Malone stated that the town has hired professional that have looked at and evaluated tradeoffs, while being respectful of department heads. There are many moving parts that are happening simultaneously that are difficult to articulate with specificity.

Ms. Collins asked why are we putting money into stabilization funds the year before going for an override? Ms. Malone replied that is important to have fidelity to our financial management principles. She stated that this is not a short-term issue that will be solved by dipping into capital

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stabilization. She mentioned that the town will be pursuing refunding (the CSC/KMS borrowing) which will save approximately \$2M- \$4M and could result in savings in the next four years.

Dr. Nolin stated that one of the missing pieces is a strategic plan that's been vetted by the community. Knowing the strategic priorities along with a funding schedule will help manage expectations and will be required for override planning.

Mr. Jennett stated that it's important to find a balance between school services, municipal initiatives and affordability.

Ms. Wollschlager asked about what the process will be if School Committee votes a budget higher than the Town Administrator's budget. Ms. Malone stated that we will remain in dialogue. Dr. Nolin stated that it was her understanding that there wasn't any 'wiggle room' in the budget to discuss. Ms. Malone concurred and agreed that the budget is very tight.

MEETING MINUTES

None

ADJOURN

Moved/Motioned by:	Ms. Malone
Seconded by:	Ms. Adelman-Foster
Motion approved:	8-0-0

Meeting adjourned at 7:00 pm.