

**Board of Selectmen's Meeting
October 30, 2017 -- 7:00 PM
Medway Middle School
45 Holliston Street**

Present: Maryjane White, Chair; Richard D'Innocenzo, Vice Chair; Dennis Crowley, Clerk; Glenn Trindade; Member; John Foresto, Member.

Staff Present: Michael Boynton, Town Administrator; Allison Potter, Assistant Town Administrator; Carol Pratt, Finance Director.

Other's Present: Armand Pires, Superintendent; Gabrielle Abrams, Assistant Superintendent; Don Aicardi, Director Finance & Operations; School Committee—Diana Borgatti-Chair, Susan Dietrich, Rich Eustis (until 7:20pm), Ahn Le, Jeff Segarra; Finance Committee—Frank Rossi-Chair, Todd Alessandri, Rohith Ashok, Ellen Hillery, Dan Doherty, Jeffrey O'Neill, Susan Segarra, James Sullivan.

At 7:00 PM Selectman White called the meeting to order and led the Pledge of Allegiance.

Public Comments: None

Discussion – Exelon Revenue

The Board reviewed the Exelon document discussed at the October 16, 2017 Selectmen's Meeting and the Proposed Budget FY2019 document from Finance Director, Carol Pratt.

Town Administrator Boynton handed out the Exelon Revenue Usage Projections document that was discussed at the October 16, 2017 Selectmen's meeting pointing out the first payment will be received by February 1, 2019. He noted the \$3.8 million increase to the base budget is a one-time addition only for Fiscal Year (FY) 2019. Mr. Boynton remarked how far the \$3.8 million does not go when there are major infrastructure issues to be addressed. He stated the Board of Selectmen requested a funding scenario allowing the town and school to benefit without a fiscal dilemma in year two. Mr. Boynton then reviewed each of the items listed in the document and the impact on the Town and School if these items were not addressed including: Roads and Sidewalks being one of the biggest issues; OPEB to maintain our AAA bond rating; Snow & Ice historical funding deficits; Combined Facilities Management a major benefit to the school but still requiring definition with the Town Administrator and Superintendent; Storm Water Management- meeting state and federal obligations; Debt Budget-DPS Facility replacement without negative impact on the tax payer; Police traffic safety and case load impacts; Fire licensed to provide ALS services and the Solid Waste budget approaching unsustainability in 3 years resulting in need for substantial fees increase.

Mr. Boynton stated the goal of Town and School collaboration on municipal funding is to allow, as close as possible, a level service School budget. The proposal is a one-time \$500,000 influx in funds. He noted the need of the Town and Boards to understand the School Department's requirements year to year and try to find a way to meet that need. He pointed out the third column of the document proposing the ability for resident tax relief. He noted the potential to look at usage of the \$1.7 Exelon permitting fees to provide some additional relief to community.

Selectman Crowley pointed out the second handout showing the tax savings impact using Exelon funds and permitting fees. Mr. Boynton quantified the impact using the example of a house that is assessed at \$400,000, which potentially saves the taxpayer \$200 per year, or approximately \$3,000 over a 7-9 year period. Selectman Crowley noted this would not be a one year allocation but year to year allocation. There was a one-half percent yearly decrease negotiated with Exelon where originally it was proposed as a three percent per year decrease.

School Committee Chair Borgatti thanked the Board and Mr. Boynton for negotiating this influx in revenue. She also thanked the Department of Public Services for its work on the roads allowing Schools to open after the storm last evening. She stated the School Committee recognizes the difficulty looking at all the needs and appreciated the School being included. She noted these budget numbers included looking at projections and the state's new initiatives and directives relative to curricula and meeting the social-emotional needs of students. She stated the School Committee needs to educate all on the multitude of requirements they are expected to meet as directed by the State.

Discussion with the School Committee and the Finance Committee on Budget Planning

Superintendent Pires walked through the School's typical budgeting process and timeframe, November through March, noting the request for information now is 6-8 weeks earlier than they are comfortable with and recognizing the Town has struggled with this timing as well. He pointed out these projections are based on what is known right now, wanting to continue with transparency on costs. He noted the big caveat; these numbers will change due to the following unknowns; (1) contracting costs, (2) number of retirements, and (3) enrollment numbers. He expects that by January, these numbers will change. He stated the one important item in the handout provided for discussion is the potential for full-day kindergarten.

Finance Committee Chair, Frank Rossi, requested that all attendees introduce themselves. Introductions of the three groups proceeded.

School Finance Director Aicardi reviewed the Balances document noting the proportion of School Choice being utilized continues to grow and the impact of summer programs to the Community Education revolving fund. He then asked for questions. Selectman Crowley noted the FY18 estimated reserve amount of \$895,684 and inquired as to Mr. Aicardi's past experience with School Departments' reserve amounts. Mr. Aicardi pointed out that Medway has the highest in reserves based on the other districts where he was employed in the past. Selectman Crowley reminded all about the past request from the Board of Selectmen for the School's need to have lower reserves. Superintendent Pires stated the use of the reserves should be reviewed noting each account does something positive for the schools stating the two accounts both boards historically discuss include School Choice and Circuit Breaker.

Mr. Aicardi then reviewed the School Choice document noting the amount already authorized by the School Committee in the FY17 budget and committed in the FY18 budget pointing out FY18 is a combination of the School Choice base of \$260,000 and another \$207,522 in expenses authorized by the School Committee in late spring. He further noted the grant funding the salary of the Director of Wellness will conclude in FY18 and, if the position is maintained, will need to be part of the FY19 budget.

Selectman Crowley requested clarification on the fluctuation of School Choice funding noting that Finance Director Pratt in looking at past years did not note fluctuation. Ms. Borgatti stated School Choice revenue fluctuates year to year until the School Committee votes the final number as during that

time enrollments fluctuate. There was further discussion and questions specific to School Choice. Superintendent Pires noted acceptance is based on limiting class size and which classes can absorb the influx. He stated initial requests came in for classes without capacity. The per student cost of approximately \$10-12,000 with only \$5,000 State revenue per student was noted. Ms. Borgatti also noted these are “blind admissions” with no vetting process and once accepted, the student belongs to the Medway Schools for the rest of their school career so if they require higher needs, the school must provide those services.

Selectman Foresto requested clarification of the FY18 committed budget number. Mr. Pires clarified this includes (1) new remediation efforts at the High School; (2) Middle School After-School Programs; (3) the Assistant Principle position at Memorial School and (4) Math Interventionist positions. The School funds \$100,000 of full-day kindergarten out of this number as well. Selectman Foresto noted the issue being it was the School Committee’s choice to put these positions into School Choice and now they want to move these into their budget, i.e. the Wellness position and he is not saying this was a wrong decision and more than likely the right one, but now this needs to be built into the budget line. Mr. Pires pointed out the obligation of the School Committee budget to meet the educational needs of the community and these positions were desperately needed noting School Choice needs to provide a benefit.

Mr. Boynton noted the purpose of this meeting was to really go through the FY19 School Preliminary Budget noting the huge distinction of the \$500,000 proposed Exelon revenue to the School versus what the school truly needs based on the details in the documents provided.

There was further inquiry and discussion regarding the Selectmen’s concern of reserve amounts in other towns compared to Medway. Selectman Crowley stated he is not saying what the right number is but wanted to see what they will be at the end of the discussion. Selectman Trindade referred to the past number of \$1.4 million noting most school systems don’t have anything close to that number. It was noted that just like the Town, the Selectmen believe the School should have some reserve funds but are unsure what that number should be. Mr. Aicardi noted what jumped-out/concerned him was the downward trend of balances in reserves with the intent to be sober when using and his specific concern of going below \$1 million. The Finance Committee inquired as to which specific funds should be of concern. Mr. Aicardi noted Circuit Breaker as different due to being contingent on the state’s financial situation and is the one place he goes to make the budget whole. In April/May, if the State tax revenue projection is not met, this negatively impacts the Circuit Breaker account. The rate of reserve utilization is also concerning.

Town Administrator Boynton focused the discussion back to Exelon as an opportunity to replace some of these funds. Further discussion on reserves ensued with all agreeing the “correct” number is not known and cautioned the comparison of Medway to other Towns at random as this most likely will not be comparing “apples to apples”. It was noted that those towns that use all allotted School Choice funding historically need to go to the Town to fund budget deficits. It was noted again the earliness in the normal School Budget process with more accurate numbers available in January.

Mr. Aicardi then reviewed the Schools FY19 Preliminary Budget Draft and the specific documented assumptions including (1) stipends/salaries for existing staff noting FY19 is a collective bargaining year therefore numbers are very preliminary Estimates; (2) migrating teaching positions to the operating budget from the revolving fund (3) a negative impact to the pre-kindergarten program if kindergarten becomes free, as the pre-k program is funded in part through the kindergarten tuitions (4) reduction in

FTEs at the Middle School by 2; (5) three retirements requiring replacement which costs \$31,000 with an 11 month time-frame to process completion; and (6) FY19 Vacancy Factor, the savings of which are taken off the top not allowing the funding of reserves. Mr. Aicardi then reviewed all other items built into this forecast. Mr. Sullivan reminded all of the newer professionals' steps and lanes increase the budget impact and asked if these are projected out. Dr. Pires stated 50% of current staff are at the top step. Selectman Crowley noted the Vacancy Factor slows as a new teacher move up steps and lanes.

Town Administrator Boynton noted the intent is not to micromanage the School Department Budget. Selectman Crowley asked for validation of the level service budget number with School Choice taken out; the level service budget is \$1,275,000. Mr. Aicardi confirmed this number. Selectman Foresto stated that the \$500,000 of Exelon funds could potentially expand programs but not level fund the budget. Superintendent Pires stated the School "borrowed ahead" in anticipation of Exelon funds noting the Exelon funding source allows for discussion of free full day kindergarten. Selectman Crowley questioned why School Choice was not included in the FY19 preliminary budget presented, as historically it was always used as a funding source. Superintendent Pires stated they do anticipate that some portion of School Choice revenues would be inserted and it was never the intent to back School Choice out.

Town Administrator Boynton noted this is combining apples and oranges; level service means FY to FY nothing is added to the budget noting the \$1.275 level service is not sustainable year to year. Selectman Trindade questioned the lack of agreement on the Combined Facilities position. It was noted this was not a lack of agreement but that the School Committee had not had the opportunity to meet to discuss the topic and now agree with this position. Superintendent Pires stated this is "putting cart before horse in the budgeting process" with the need to ensure added value. Mr. Ashok of the FinCom noted the Exelon funds would fully fund full day kindergarten. Mr. Sullivan of the FinCom pointed out the need to make sure our schools bring value noting; (1) student pools are growing resulting in added costs; (2) knowledge that School Choice will be reduced based on state aide; and (3) energy and health care costs will be increasing therefore inquired if we should be conservative.

Selectman Foresto reminded all that this is preliminary, knowing the group will be reviewing these numbers three to four more times, and noting it is the responsibility of the Selectmen to ask these questions. Selectmen Crowley noted the need to go back and work together to find number that works for all three committees. Ms. Dietrich of the School Committee stated her appreciation to look at the school budget without School Choice allowing all to look at it strategically.

Superintendent Pires then reviewed the traditional budgeting process and timing noting it is exciting to be considering free kindergarten and the positive impact on the town. He stated they take transparency in the school budgeting process seriously and want to ensure clarity on how the numbers are developed and decided even if there is lack of agreement. Mr. Alessandri reiterated (1) the need to compare "apples to apples" when determining appropriate reserve levels; (2) the level service budget to include free full day kindergarten plus School Choice; and (3) stated his concern that the Circuit Breaker reserve is down from one-half a million to \$188,000 noting that is equal to one salary. That is one number that needs to be considered moving forward. Mr. Ashok of the FinCom agreed that the Circuit Breaker reserving dropping when the economy is good is concerning. Mr. Aicardi noted the need to be thoughtful about how Circuit Breaker funds are utilized.

Selectman Crowley asked Mr. Sullivan why he thinks School Choice will be going down. Mr. Sullivan noted this was per the *Worcester Telegram* and pointed out Worcester numbers are going down and

revenue can't be sustained. In addition, the anticipation is there will be less revenue to the States from the Federal government given the current political environment.

At 8:52 PM Selectman Trindade moved to adjourn; Selectman White seconded. No discussion. VOTE: 5-0-0.

Respectfully submitted,
Liz Langley
Administrative Assistant
Town Administrator's Office