



SCHOOL COMMITTEE

BUSINESS MEETING OPEN SESSION MINUTES January 29, 2019 and

PUBLIC HEARING Manchester Essex Regional School District Budget for 2019-2020

Meeting:	School Committee
Date:	January 29, 2019
Location:	Essex Elementary School (Cafeteria)
Attendees:	Pamela Beaudoin, Superintendent Avi Urbas, Director of Finance Shannon Erdmann, Chairperson Rachel Fitzgibbon, Co-Chairperson Ken Warnock Ann Cameron Sarah Wolf Caroline Weld Julie Riordan
Absent:	
Guests:	BOS and Finance Committee Members from Essex Brendhan Zubricki, Essex Town Administrator Mike Cronin, <i>Gloucester Times</i>
Recorded by:	Gail Hunter

A. Call to Order – Ms. Erdmann called the School Committee Business meeting to order at 6:10 p.m.

B. Business Meeting Open Session

1) **Public Comment** – There was no public comment this evening.

2) Chairman's Report

Ms. Erdmann indicated there is interest in inviting outside School Committee members to future meetings to hear the pros and cons regarding later start times as researched by other Districts. The Committee may call it a "listening tour." Ms. Cameron asked that the discussions be focused conversations formatted around specific data points, Ms. Erdmann stated that was a good idea.

3) Consent Agenda –

- Acceptance of Warrants: Vouchers
- Minutes January 15, 2019

Ms. Cameron moved to approve the Consent Agenda, Ms. Fitzgibbon seconded the motion. The motion passed unanimously.

4) Sub-Committee Reports

- Elementary Facilities/MSBC (Ms. Weld and Ms. Cameron)

Ms. Weld reported the School Building Committee had met and the project is progressing. At the meeting on Tuesday, January 22, 2019, it was clear the building appearance is taking on a more complete image. Hard materials were presented to provide a sense of texture and how the proposed materials would look. On February 6, 2019 the School Building Committee is meeting to approve the current progress of the Building which will be forwarded to MSBA, as a report on the progress of the project.

Ms. Weld also stated the sub-committees are working hard and efficiently. Ms. Fitzgibbon asked how many sub-committees there were? Ms. Weld replied: Site, Education, MEP (systems heating, air conditioning and outside), Education (program) and Design (aesthetics).

Community meeting is scheduled for March 13, 2019 at 7:00 p.m. – information will be in the *Cricket*. There will be a separate meeting for abutters to address their concerns about site impact and to answer questions. The goal of this meeting is to be proactive.

Additionally, there will be a Parent's meeting to discussion how the building is accessed during construction and to address any safety concerns Parents may have – the meeting will take place the first week in May

- Finance Sub-Committee (Ms. Cameron and Ms. Erdmann)

Mr. Erdmann stated Superintendent Beaudoin, Mr. Urbas and she had met with the MBTS Finance Committee on Wednesday, January 23, 2019. The meeting was straight forward. Discussed building project, bonding and budget. The meeting was informative, and the information presented well received.

Ms. Cameron indicated the Essex Finance Committee would be here this evening and there appears to be a shortfall in their preliminary budget. Essex may be asking the School Committee

for help given the current apportionment. Superintendent Beaudoin asked, what needs to be done? The District Budget is proposed to be approved on February 5, 2019. Ms. Cameron was providing preliminary information additional information would be presented during the Public Hearing and at the Collaborative Meeting on Friday, February 1, 2019.

- Policy Sub-Committee (Mr. Warnock and Ms. Fitzgibbon)

The 5th Grade Trip Task Force met earlier today and reviewed strengths and obstacles of the 5th Grade Trip. The Task Force defined the objectives of the trip are: 1) to bring MBTS and Essex students together 2) personal growth and social emotional health 3) recognize the end of elementary school and 4) participate in a tradition. The group identified strengths and weaknesses in an objective and open-minded process. There were 4 Task Force members missing, the group moved forward with lots of input and Ms. Fitzgibbon and Mr. Warnock were pleased with the participation and efforts of the group.

- Negotiation Team (Ms. Wolf and Ms. Riordan)

Ms. Wolf indicated the team is meeting in break out groups and progress is being made. The full negotiation team will be meeting tomorrow, January 30, 2019.

5) Superintendent's Report

Spencer is playing in an away game this evening but he's still with us. Good Luck to Spencer and the team.

Superintendent Beaudoin stated the school year is at the half way point and already the District is digging in preparing for school year 2019-2020. Pre-K screening started this week with Kindergarten registration scheduled for later in February. Superintendent Beaudoin has been working with Ms. Marshall, MBTS Director of Parks & Recreation, to identify resources for the summer recreation program and after school programs, under consideration is Middle High School for the programs to use as a substitute location.

School Choice placements will likely all be in Elementary Schools and will be discussed comprehensively during the March 5, 2019 meeting of the Committee.

Ms. Erdmann asked if there was any information about 9th and 10th grade students moving to other schools – Superintendent Beaudoin stated there has been no information on that front, however, there appears to be a slowdown for students moving onto Essex North Shore Agricultural & Technical School. When the School was new there was a push to engage communities, who had not participated in the program and now the admission process seems to be more selective. Ms. Weld suggested checking with Guidance to see how many students were interested in attending Essex North Shore Agricultural & Technical School.

6) New Business – There was no specific new business this evening.

7) Continued Business

- Update on Memorial School Project Financing

Mr. Urbas stated the Memorial School Building Project bonds will be going out to bid on Thursday, January 31, 2019. A working group of MERSD Administrators, School Committee members and Finance Committee members from both Towns consulted with First Southwest, a Division of Hilltop Securities, Inc. to review options available for funding the first \$35M bond issue for the new Memorial School. Total project cost is \$52M, with the District responsible for \$40M and MSBA providing an additional \$12M. MBTS will be responsible for 2/3 of the District share and Essex 1/3.

The long-term debt service agreed to: \$35M bonds at an estimated interest rate of 3.5% - Equal/Declining Debt Service with a level principal for the term of the debt beginning in March 2019 and retiring in June 2049. An additional bond will be issued in September of 2021 for approximately \$5M at an estimated interest rate of 5%.

The School Committee will be asked to approve the bonds on Tuesday, February 5, 2019. It is necessary for the School Committee to authorize and for the School Committee Chairperson to sign the legal documents related to the bond issue.

Ms. Cameron moved to appoint the School Committee Chairperson as School District Secretary for purpose of executing bond issues, Ms. Weld seconded the motion. The motion passed unanimously.

Mr. Urbas had a lengthy conversation with credit rating agency Standard & Poor's (S & P) – he is waiting for their rating for the District and had hoped to have it for this evening's meeting. S & P liked what the District is doing with commitment to OPEB Trust, collaborative relationships with the Towns and overall management of the District's Operating, Capital and Reserve Fund. Mr. Warnock asked if this will be noted on Clear Gov? Mr. Urbas stated when the credit rating comes in it will be noted on Clear Gov and as part of the District's story.

- Food Service Budget Review

Overview – Chartwells (CW) Partnership continues to benefit MERSD

- Significant improvement in financials and staff management since program first outsourced in FY 17
- Specialized program expertise

Increased revenue per student district-wide, particularly at MSHS, offset by MERSD's declining student enrollment

- Elementary participation remains low – enrollment is an issue

Key Financial Issues:

- Outsourcing highlights benefits costs that previously were charged to General Fund (i.e. not measured in Food Service Financial performance)

- CW has reduced fringe cost by >50%, but expense now charged to Food Service revolving fund via monthly CW invoices – **requires additional funding as planned in original outsourcing bid standards**
- Although expectation has always been that program will run at a loss on fully-loaded basis, which is industry standard, CW has improved bottom line performance by 67% (\$135K/year)
- **Requesting \$177K transfer to fund FY 17 and FY 18 fringe costs. Forecasted FY 19 excess down to \$65K.**

Participation Changes by School

- FY 18 participation declined across the board, but has rebounded in current year – MSHS (44% today) remains above FY 14 – FY16 pre-CW period
- Memorial School (36%) is low historically consistent with prior year average
- Elementary schools continue to lag MSHS

Collections

- CW has stabilized unpaid meals situation – Excluding one-time write offs in FY 16, the FY 17—FY 19 unpaid debt increases are lowest since FY 13.
- Continued collections improvement would boost revenue and improve bottom line financial performance.
- Planning outreach campaign in 2nd half of year

Free/Reduced Price School Lunch (FRSL)

- Participation in FRSL meals program has been flat – small % of total meals delivered.
- 8.7% of MERSD students eligible, but many do not participate

Closing Fund Balance Deficit

- Fund balance deficits prior to out-sourcing were from operating losses, excluding fringe, which was charged to General Fund, together with all MERSD employee healthcare.
- CW has brought operating losses to nearly \$0 – annual deficit now roughly = fringe cost.
- Proposed \$177K transfer from reserves equivalent to FY 17 and FY 18 fringe.

The Committee had preliminary discussion regarding the Food Service Budget Review and moved for a more complete review and discussion at the next School Committee meeting scheduled for February 5, 2019.

PUBLIC HEARING

Mr. Warnock moved to open the Public Hearing on Manchester Essex Regional School District Budget for 2019-2020, Ms. Fitzgibbon seconded the motion. The motion passed unanimously.

Presentation of FY 20 MERSD Budget:

Mr. Urbas presented the FY 20 Budget and indicated he would be happy to answer questions as he goes through the Power Point and to return to slides at the end of the presentation.

Superintendent Beaudoin stated that usually the budget starts with the School Committee and Budget Goals and the first objective of both is to Develop and deliver a fiscally responsible budget and to work within the confines of Proposition 2 ½.

School Committee Goals:

- Develop and deliver a fiscally responsible budget that maintains educational quality, supports District goals and recognizes the confines of Proposition 2 ½.
- Engage the member Towns in the need to pass the debt exclusion for the rebuilding of Manchester Memorial School and communicate the capital plan to maintain Essex Elementary.
- Successfully negotiate a contract with META using IBB.
- Support implementation of programming that enhances our organizations cultural proficiency and promotes respect and appreciation for individual and cultural differences.
- Target resource to support the social/emotional needs of students across the District.

Budget Goals:

- 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 – See internal efficiencies to offset growth needs when possible.
- Meet local, state and federal responsibilities while controlling growth.

Additional Considerations in Developing the FY 20 Budget: Superintendent Beaudoin indicated these are the areas that drive the budget.

- Student Needs
- Special Education
- Fixed Costa
- Facilities

FY 20 Operating Budget Overview:

- Initial goal is to provide Level Services at a minimum – Maintain same level of program currently in place – Due to funding constraints, essential program changes to be funded via identification of efficiencies/restructuring opportunities – Cuts made in FY 19 have not been restored.
- Level funded most categories in FY 20 Budget, with some exceptions: Employee compensation and mandated benefits – Transportation and Utilities.
- Level services budget exceeds available funding, but target is achievable: Current projected deficit of \$350-\$400K is smaller than this time last year, as insurance picture has stabilized – Plan taking shape to bring FY 20 budget in line with available resources.

Superintendent Beaudoin mentioned the District is still battling back from the 28% increase in Health Insurance that came up after the FY 17 Budget was closed. Although \$400K seems

like a lot it is small compared to previous years. This number includes all of the previously included budget cuts.

FY 20 Operating Budget Drivers:

- Health Insurance: Assumed rate increase of 8%, in line with market trend, as MERSD's utilization has stabilized – Collaborative bargaining process on track to yield additional savings.
- Compensation: 2.5% Cost of Living Adjustment (COLA) acknowledges low growth rate in recent years – Data-informed decision-making on compensation, using statewide information.
- Utilities: Recent contract renewals have increased roughly 10%, another by-product of strong economy.
- Transportation: 7% contractual increase for regular day transportation, reflecting national trend and “full employment” in economy – Many Districts statewide facing shortages and rising rates – After 4-year average annual increase for MERSD contract of 0.5%, the average growth for FY 18-FY 20 has been closer to 12%. Bid option to renew in FY 21 at 2.5%, so horizon is in sight.

FY 20 Budget Overview:

- FY 20 Tentative Operating Budget – \$26.06M – 3.25% (\$821K) increase from FY 19 budget – Relies on \$380K of yet-to-be-finalized spending efficiencies/reductions – By contrast FY 19 Tentative Budget gap was \$900K.
- FY 20 Operating Assessment Increase = 3.30% - Measures cost increase to Towns after deducting “Other Revenue” (e.g., State Aid) from spending needs – In line with recent assessment increases of 3.29% (FY 19), 3.20% (FY 18) and 3.32% (FY 17).
- Apportionment split (to be certified by early March) \$458,069 increase to MBTS – 3.21% and \$272,463 increase to Essex – 3.48% Total operating assessment increase \$730,532 – 3.30%
- FY 20 Capital Budget will be impacted by Memorial School project – FY 20 MSHS debt service of \$2.054M is \$54K less than FY 19 (2.6% decline) – MERSD working with both Towns to develop borrowing schedule for \$40M district share of new Manchester Memorial Elementary School.

Budget Highlights: Revenue:

- 2.9% growth in non-assessment revenue is closer to spending rate (3.25%) leading to narrowing gap between spending and Town Assessment growth (3.30%) – Assume 2.1% growth in Chapter 70 (\$63K) – Increased Regional Transportation 7.7% (\$10K) to reflect recent historical trend – Assume \$50K slight decline in School Choice revenue (to \$325K) to account for graduations. Superintendent Beaudoin added there may be changes in the State School Budgeting Formula but doubts the District will receive very much from that adjustment.

Budget Highlights: Largest Expenditures:

- Personnel (65.4% of total) – 2.5% COLA recognizes MERSD compensation has not kept pace with other Districts in State – MERSD teacher salaries below statewide average and peer Districts – Staff collaborated with District to share burden of rising health insurance costs, include OPEB – With step increases, total personnel expenditures up 4.1% - No FTE increase – prior year FTE cuts retained.
- Insurance & Pension with OPEB (19.8%) – 8% estimated growth in line with market; new plans expected to yield additional, unbudgeted savings – Mandated retiree insured headcount now = active employees insured – On track for \$2.3M in total contributions to OPEB Trust through FY 20. The District is one of the few Regional School Districts who puts aside money to fund retirement.
- Maintenance (6.3%) – Budget reflects rising utility rates, despite recent energy efficiency grants/investments at EES and MSHS – Facilities capital remains cut to \$60K, below recommended level to address needs of retained buildings. Mr. Urbas stated this line item should be closer to \$100K.
- Out-of-District (OOD) Tuitions (2.9%) – FY 20 student needs and cost in line with FY 19, but Tentative FY 20 increase of \$129K reflects reduced prepayments.
- Transportation (3.1%) – Stable OOD picture leads to forecasted decline in special ed transportation, despite rising rates, which will offset 7% increase (\$40K) in bid rate for regular transportation.

Closing Remaining Budget Gap:

- Options to close remaining budget gap include: **Health Insurance** – \$175K – new plans identified in discussion with META – **Out-of-District** – \$80K – Increase prepayments to prior year levels – **Staffing** – \$125K Attrition and declining enrollment allow for savings without impact to program – Additional efficiencies /restructuring to be dedicated to restoration of prior year cuts. Superintendent Beaudoin stated the red flag on this page is staffing – recently the District has been able to move staff around to cover the enrollment bubble. If enrollment starts to increase in the Elementary Schools especially when the new Elementary School opens, we will see the need to add staff. Superintendent believes the District is good for the next couple of years.

Staffing Not Included in the Tentative Budget:

Superintendent Beaudoin stated this area is not included in the Tentative budget, however there are changes anticipated in FY 20. A Task Force review concluded the Assistant Principal/Athletic Director model was not working well for the District. The Assistant Principal position will be focused on Academics and Behavior and the Athletic Director will focus on Directing Programs and teaching Health.

Additionally, reviewing the need for an SRO is ongoing – it will be necessary to identify a funding path for this position working with both Towns.

School Committee Comment:

Ms. Cameron asked about School Choice and how many students the District anticipated including in the coming school year. She went on to state it looked like 7 School Choice students

were graduating in June. Superintendent Beaudoin indicated she believed most of the School Choice openings would be in the elementary schools but with Memorial School under construction she was not sure how many parents would be interested in School Choice for Memorial School. Mr. Urbas spoke to the history of School Choice and a time when there were as many as 150 School Choice students and revenues reflected that level of enrollment. With the increasing enrollment in the District the reliance on School Choice funding has decreased.

Ms. Weld asked about math and reading specialists positions and if the positions were a want vs. a need? She also asked, how many years have we been discussing these positions? Superintendent Beaudoin stated it appears to be close to 5 years, however, the job descriptions and program needs have never been fully developed and she would like to review the program needs prior to stating the current level of importance (needs) of the positions. With declining enrollment there were teachers fulfilling both roles.

Public Comment:

Mr. Zubricki thanked the School Committee and District Administrators on behalf of the Board of Selectmen and Finance Committee of Essex for the District's diligence in stabilizing the Operating Assessment increase over the past several years and complimented the District on developing a budget without the use of reserves.

This year there are larger than usual items presenting in the Town budget; for instance, the County Retirement Board has increased the Town's contribution to \$150K which is more than half of the Town's levy increase. As a result, the Town is asking if there is a way the District can work with the Town to help with the deficit the Town is facing.

Ms. Cameron indicated the School Committee's vote to approve the budget was scheduled for next Tuesday, February 5, 2019 and any assistance to the Town of Essex would also impact the contribution from the Town of Manchester. Additionally, she stated it was difficult to assess the request without a number to talk about. She further stated the Collaborative Meeting scheduled for Friday morning may be the best time to discuss the request more comprehensively.

Ms. Weld and Ms. Erdmann stated reviewing the request with more complete numbers at the Collaborative Meeting was advisable. Ms. Weld also expressed her recognition of the historically great partnership between the Town of Essex and the District indicating we're in this together.

Ms. O'Donnell, Essex BOS Chairperson – followed up on Mr. Zubrick's statement indicating the Town's new revenue from Prop 2 ½ was estimated at \$300K and with \$150K needed for retirement, \$272K for District apportionment and additional Town expenses in FY 20 the numbers simply do not add up. She also mentioned the Town was requesting a debt exclusion for a much-needed Public Safety facility. She concluded by requesting any relief the District could provide because the Town is cutting where they can, and they run pretty bare bones as it is.

Jake Foster, Essex – asked if OSCA Regulations would impact the District. Mr. Urbas was not sure if that would be the case, however, there were recent trainings on OSCA he needs to review new OSCA Regulations before he knows if the District will incur additional expenses.

M. Buttrick, Essex – Asked about the 2.5% COLA and the total salary increase of 4.1%. Superintendent Beaudoin explained that many teachers only received the 2.5% COLA increase and there are teachers who are contractually entitled to step increases which is a state-wide provision in teacher contracts. Ms. Riordan indicated in negotiations a systemic issue with health care costs and it was only through employee agreement in negotiations the District was able to realize significant savings in the health care line and able to consider a 2.5% COLA.

Mr. Boling, Manchester BOS – Asked about the current status of District reserves? Mr. Urbas indicated reserve fund numbers is at 12% in FY 18 although the final audit figure has not been received. He stated he anticipated reserves going down to 11% and to stabilize at the level and perhaps a low as 10% due to some capital costs. Mr. Boling asked is 10% was the low water mark, Mr. Urbas confirmed that was correct and the objective is to keep the reserves steady or growing. Superintendent Beaudoin stated the budget is tight and the District is cutting.

Guy Bradford, Essex Finance Committee – Asked what the District is giving up? He asked about music and sports, Superintendent Beaudoin indicated the District is not giving up on programs it is in other areas – maintenance, additional electives and expanding programs. The District is not able to give additional services to the enrollment spike in the High School and has lost flexibility. Allison Willard, Essex Finance Committee introduced herself.

Ms. Erdmann will inform the Committee what is decided at the Collaboration Meeting on Friday.

Mr. Warnock moved to close the Public Hearing on Manchester Essex Regional School District Budget for 2019-2020, Ms. Fitzgibbon seconded the motion. The motion passed unanimously.

Additional Comment School Committee:

The School Committee initiated a discussion around what could be done within the budget to assist Essex.

Ms. Erdmann indicated there were not many levers remaining to pull. Ms. Cameron mentioned the late bus – Superintendent Beaudoin indicated those numbers were available and will be reviewed. Generally, the sense is anything cut from the District budget at this point will impact students and services.

Ms. Cameron indicated if the District takes money out of reserves it is not going to the students and stated strongly it was important to not take away from the students.

Essex meeting this evening and the Collaboration meeting on Friday will develop the plan forward.

C. Adjourn

Mr. Warnock moved to adjourn the School Committee Business meeting, Ms. Weld seconded the motion. The motion passed unanimously.

School Committee Next Meeting – February 5, 2019 at MERSD – Middle High School