

Meeting of the Canton Finance Committee
Meeting Minutes
Wednesday, March 13, 2019

Minutes Voted on: 3/27/19
Vote: 8-0-1

Finance Committee Members Present:

Christos Arsondiadis, Rob Barker, Dan Cole, Cynthia Holcombe, Emilio Mauro, Tim McKenna, Barbara Saint André, Cindy Thomas and Wai Wong.

Finance Committee Members Absent: All members were present.

Guests Present:

Jennifer Fischer-Mueller, Superintendent of Schools
Ellen Jones, Finance Committee Secretary
Kristin Mirliani, Chair, School Committee
Jim Murgia, Finance Director
Barry Nectow, School Business Administrator

Other Guests Present:

Mike Berger, Reporter, Canton Citizen
Meg Gannon, School Committee
Mike Loughran, School Committee
Reuki Schutt, School Committee

Opening: A meeting of the Canton Finance Committee was called to order by Chairman Barker at 7:03 pm. on Wednesday, March 13, 2019, in the Salah Meeting Room of Town Hall.

A. Approval of Agenda

Chairman Barker reviewed the items on the agenda which included a discussion with the School Department regarding the FY20 operating budget, Article 18 to increase the Special Education Reserve Account by transfer from free cash and a Reserve Fund Transfer Request.

B. Announcements

There were no announcements.

C. New Business

Discussion with School Department regarding FY20 Budget, Article 18 - Special Education Reserve Account and \$125,000 Reserve Fund Transfer Request

FY20 Budget

Superintendent Fischer-Mueller thanked the Finance Committee for their support from last year with the additional \$500,000 being added to the School Department Budget on a go-forward basis and the support of \$700,000 added to the Special Education Reserve Account. Ms. Fischer-Mueller turned the discussion over to Mr. Nectow. (See meeting documents for extensive information regarding the School Department FY20 budget requests.)

Mr. Nectow referred the Finance Committee members to the Executive Summary/Presentation Outline.

- The School Department is seeking a 5.45% budget increase that would amount to a \$2,308,996 increase.

- The four areas of strategic framework include: 1) Achieving Educational Excellence & Ensuring Equity, 2) Cultivating School Climate & Culture, 3) Transforming Teaching & Learning, and 4) Achieving District Excellence.
- He stated that the School Department realizes that they may not be able to get all of their requests filled but that Canton's per pupil spending (\$16,080) is on the lower end of per pupil spending as compared to other local school districts whose per pupil spending ranges from \$14,936 to \$19,034.

Superintendent Fischer-Mueller stated that the School Department is presented with a growing number of students that are "not ready to learn" and that these students have various, significant needs that are caused by various factors including biological, environmental, social, etc. The School Department is faced with students that have had varying degrees of trauma and the School Department has been dealing with these issues through home intervention etc. She further stated that it would be difficult for the School Department to proceed with their strategic framework without additional funding.

- Of the \$2,308,996 being requested, 55.07% or \$546,582 would be for student services and social/emotional learning programs for students.
- The delta between the \$44,014,362 budget recommended by the Revenue Forecasting Committee and the \$44,705,401 School Department request is \$691,039.

A Finance Committee member expressed concern that if the Finance Committee were to approve an additional \$700,000 for the FY20 School Department operating budget it would be difficult to maintain this for future years. She also commented that a few years ago the split of new revenue had been 65% allocated to the School Department and 35% allocated to the Municipal departments. This year the split is more in the area of 67%/33%.

Ms. Thomas stated that free cash should not be used as a funding source for the School Department budget.

Mr. Murgia stated that it is not a good financial policy to use free cash to balance an operating budget and that free cash should only be used for one-time budget needs. Mr. Murgia stated that an operating override of \$4.5 million was approved in May 2008 but that it was phased in over three years. The School Department is also seeking \$700,000 from free cash for the Special Education Reserve Account.

In response to a Finance Committee member's inquiry regarding whether the School Department receives assistance through grants, Mr. Nectow responded that Canton does not often meet the income levels or ESL (English as a second language) minimum qualifications to receive grants.

Mr. Mauro made the observation that unfortunately the School Department is faced with the difficulty of having a naturally dynamic curriculum, an expanding recognition of student needs and standards, and a fiscally inflationary responsibility to students and a fiscally inflationary responsibility to students that requires a focus on preemptively "spending now" in order to "save later", in other words spend funds on educating students and treating student needs at an early stage to avoid high costs in the future for sending students out of district (OOD).

Mr. Cole made the observation that student enrollment has been relatively flat for the last few years.

Special Education (SPED) Reserve Account - \$700,000 request

- \$700,000 was added to the SPED Reserve Account at the 2018 Annual Town Meeting.
- The School Department is expecting a FY20 SPED budget deficit of \$3.7 million prior to offsets. Increased OOD tuition and transportation costs from FY18 have added to the SPED deficit.
- The number of SPED students has increased from 51 to 54. However, the number of OOD placements has stabilized but tuition and transportation costs continue to rise.
- The cost of tuition and transportation for OOD students has been rising.

- Options for balancing the FY19 SPED budget would use the following offsets: 1) Circuit Breaker of \$1.7 million, 2) Stabilization Fund of \$811,146 and 3) Revolving Funds of \$445,000.

Reserve Fund Transfer Request - \$125,000 – John F. Kennedy Elementary School Modular Classrooms

The project costs for the JFK modular classrooms are over budget. The School Department is seeking \$125,000 to cover any gap in the construction costs. The gap in funding for the project will depend on how much of the contingency funding is used. The School Department has attempted to minimize the cost overruns through value engineering and managing contingency funds. "Value Engineering" is a term that is used in the construction industry to refer to looking at the whole project with regard to costs.

The Reserve Fund FY19 budget started the fiscal year with \$500,000 with only \$45,000 being transferred to the Police Station for roof repairs

Mr. Mauro confirmed with Mr. Nectow that the savings achieved through value engineering would not affect the safety or utility of the modular classrooms when they are completed.

Voting Overview

Chairman Barker stated that the Finance Committee had three items to consider voting on:

- 1) The FY20 School Department operating budget, for which the School Department is seeking an additional \$700,000 increase above the \$1.6 million already being recommended by the Revenue Forecasting Committee.
- 2) A transfer of \$700,000 from free cash to the Special Education Reserve Account.
- 3) A \$125,000 Reserve Fund Transfer Request to cover a gap in the JFK Modular Classroom project.

Article 18 – Increase Special Education Reserve Account

A motion made by Ms. Saint André to recommend a transfer of free cash to the Special Education Reserve Account for FY20 was seconded by Ms. Holcombe. Vote: 9-0-0.

Mr. Murgia stated that the revenue for FY19 was still at a healthy level and that once all of the Town Meeting free cash transfers are made there would remain approximately \$2 million of free cash available. If there is a free cash balance remaining at the end of the fiscal year when the books are closed, these funds would revert to free cash for the next fiscal year.

Vote: 9-0-0.

Discussion and Vote – School Committee FY20 Operating Budget

Mr. Murgia stated that last year the Town had an unused levy capacity of \$536,000. The School Department budget was supplemented with an additional \$500,000 from a recurring revenue source. This year the unused levy capacity is less than \$36,000. There is no extra revenue to meet the FY20 needs of the School Department. Mr. Murgia further stated that he does not recommend using free cash to supplement the School Department operating budget and that the only option for the School Department would be an operating override.

Chairman Barker supported the original budget recommendation for the School Department. This would mean a 3.82% budget increase to their budget rather than the 5.45% budget increase sought by the School Department.

Mr. Wong summarized the following about the School Department budget:

- The FY19 School Department budget is \$42.4 million.
- A 3.8% increase would equate to an FY20 budget of \$44,014,362 or an increase of \$1.6 million.
- The School Department is seeking an FY20 budget of \$44,705,401 or a 5.45% increase or an increase of \$2,308,996.
- The School Department is seeking \$695,000 more than the \$1.6 million already being recommended by the Revenue Forecasting Committee and the Finance Committee.
- Of the \$1.6 million budget increase being recommended, \$1.4 million is for salaries and only \$203,000 is for school expenses.
- If the additional \$695,000 were to be approved, it would be unsustainable.

A motion made by Ms. Saint André to recommend an FY20 operating budget of \$44,014,362 for the School Department was seconded by Mr. McKenna. Vote: 9-0-0. Ms. Saint André commented that she had reluctantly made this budget recommendation because the School Department presented valid requests for their budget, however, the reality was such that the amount being requested by the School Department could not be funded within the current revenue stream.

Mr. Mauro also stated that the School Department had valid budget requests but that they would have to find an alternative funding source other than free cash. He observed that approving this free cash spending would both setup a shortfall for the school budget next fiscal year because this free cash funding could not be routinely made available while also setting a potentially harmful precedent of using free cash for routine operating budget purposes.

(This recommended budget was the same amount the Finance Committee had previously recommended for the FY20 School Department operating budget at their meeting on February 11, 2019.)

D. Other Business/Open Issues

Ms. Thomas stated that she had recently been contacted by the Board of Selectmen's office to inquire if she was still interested in serving as the Finance Committee representative on the Water & Sewer Rate Committee. Ms. Thomas stated that because the Water & Sewer Rate Committee meetings took place during the day that she would no longer be able to be reappointed to this Committee due to scheduling conflicts. She inquired if there were any volunteers from the Finance Committee willing to serve. At the time of the meeting, there were no Finance Committee members that volunteered to serve on that committee.

Article 27 – Plastic Shopping Bag Reduction- Mr. McKenna stated that he recently had a discussion with the proponent of the plastic shopping bag reduction article and that the proponent had a discussion with Town Counsel regarding the wording of the motion for Article 27. This revised motion would be forwarded to the Finance Committee via email within a few days.

E. Approval of Minutes

There were no minutes for the Finance Committee to approve.

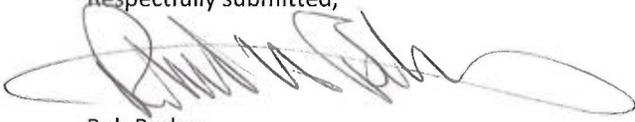
F. Next Meeting Date:

The next Finance Committee meeting would take place on Monday, March 18, 2019 with members of the Planning Board and the Town Planner in attendance. Zoning articles would be discussed.

Adjournment: A motion made by Ms. Saint André to adjourn the meeting at 8:55 p.m. was seconded by Mr. McKenna. Vote: 9-0-0.

Minutes reviewed by: Emilio Mauro and Cynthia Holcombe

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Rob Barker", written in a cursive style.

Rob Barker
Chairman, Canton Finance Committee

**Canton Finance Committee Meeting
Wednesday, March 13, 2019
Meeting Documents**

Please note: Some meeting documents may be found on the Town's website under the Posted Minutes section (Laser Fiche).

Some of the Municipal and School Department budgets or Annual Town Meeting documents referred to in Finance Committee meetings may be found on the Finance Committee page of the Town's website.

Agenda for March 13, 2019. (1 page).

Executive Summary/Presentation Outline, provided by Barry Nectow, School Business Administrator, dated March 13, 2019 (3 pages).

School Committee Presentation to Canton Finance Committee, dated March 13, 2019 (59 pages).

Reserve Fund Transfer Request - \$125,000 – JFK Modular Classrooms project (2 pages).