Approved 10.24.2019

Town of Concord
Finance Committee –Guidelines Subcommittee
Meeting Minutes – October 3, 2019

Present: Dean Banfield, Greg Guarriello, Mary Hartman, John Hickling, Richard Jamison, Dee Ortner, Parashar Patel, Christine Reynolds, Wade Rubinstein, Phil Swain, Thomas Tarpey, Brian Taylor and Andrea Zall

Absent: Peter Fischelis and Karle Packard

Others Present: Steve Ledoux, Concord's Representative to Minuteman School Committee; Kevin Mahoney, Outgoing Director of Finance at Minuteman School; Robert Gerardi, Jr., New Director of Finance at Minuteman School; Finance Director Kerry Lafleur; LWV Observer Diane Proctor; Recording Secretary Anita Tekle

Meeting Opened
Ms. Hartman called the meeting to order in the Select Board Meeting Room at the Town House at 7:00 pm. The meeting was not recorded.

Minuteman High School Presentation
Mr. Ledoux, Mr. Mahoney, and Mr. Gerardi were introduced and welcomed. Mr. Gerardi provided some highlights for the school:

- 2018 National Blue-Ribbon high school (one of very few in the country)
- 99% 1st Pass Rate for ELA NextGen MCAS
- 96% 1st Pass Rate for Math NextGen MCAS
- 100% 1st Pass Rate for Science NextGen MCAS

Mr. Gerardi noted that Minuteman's (MM) commitment to personalized learning is key to its success. The "academy model" has worked well, allowing students to stay with a core group of teachers from Grades 9-12. The model integrates rigorous academic courses with robust technical/vocational courses, organized around a career theme. He briefly reviewed the post-secondary programs that are offered to train/retrain adult students.

Budget Performance In reviewing the FY19 budget-to-actual results, Mr. Gerardi reported that revenue was $275,996 higher than budgeted and expenses were $449,672 lower than budgeted. Surplus funds were turned back to the E&D (Excess & Deficiency) account, which allows a lower assessment to member communities. The current balance in the Stabilization Fund is $702,286. The current balance in the OPEB Trust Fund is $209,732.

Construction Status The new building cost is $144 million, with an estimated $1 million of that borne by Concord (depending partly on enrollment). The formal opening is this week, with a few outstanding technical projects to be completed–greenhouse; theater hydraulics; rubberized surface at playground; and restaurant patio railings. Mr. Mahoney explained that prior to 2015, non-member communities were not charged for capital costs. Beginning in FY20, non-member communities that send fewer than 5 students are charged $6,201.50/student, and those who send 5 or more students are charged $4,651.12/student. Revenue collected in FY20 will be used to offset the debt service assessments to member towns in FY21.

<u>Enrollment</u> Mr. Gerardi noted that freshmen enrollment is up by 71 students from 2018 to 2019, to a total of 194 (150 from member towns; 44 from non-member towns). Total school enrollment is 604 students, with 50% receiving special education services. There is a waiting list for seats in the 9th grade class. Concord's 2019 enrollment is 25 students (up from 17 in 2017 and 24 in 2018). The school capacity is 628 students. Ms. Reynolds noted that the school's capacity will be an issue in the future if more students want to enroll from member towns. Mr. Gerardi noted that MM's inclusion model is very attractive (most schools separate SPED students).

<u>District Membership</u> Mr. Ledoux explained that there are currently nine member communities, with Belmont having voted in 2016 to withdraw as of June 30, 2020. Since its withdrawal vote, Belmont has not paid any capital expenses. Belmont is considering returning to MM, with a special own meeting scheduled for November 2019 to revoke the town's 2016 vote. Belmont has 48 students enrolled in MM. If Belmont's vote is successful, and if the Minuteman School Committee (MSC) unanimously votes to accept Belmont's request, then Belmont would be responsible for paying a make-up capital payment of $472,667 (amount that it was not assessed in FY18, FY19 and FY20). This payment would be allocated to the remaining district towns, with Concord's portion being $34,691. The Belmont Select Board has asked that its repayment be spread over three years; the MSC will consider this request later in October. Several Finance Committee (FC) members expressed the sentiment that ten member communities would be preferable to nine member communities, so it would be a benefit to all if Belmont were to return. Several members also expressed agreement that spreading Concord's share of Belmont's capital assessment over three years would be acceptable if it helped bring Belmont back in.

In response to a question about the apportionment of debt service to member towns, Mr. Mahoney explained the three components:

1. 50% of the total debt is based on a 4-year rolling average for enrollment for the town
2. 41% of the total debt is based on a "combined effort share" formula which is used by the State to determine Ch. 70 school aid (combination of town's income and property valuations–"ability to pay")
3. 9%--Capital Base Contribution–1% of the total outstanding debt paid by each of the nine member towns

In response to a question from Mr. Taylor, Mr. Mahoney explained that a community must give three years' notice to leave the district; if a community votes to return, then the community would be responsible for repaying its portion of the debt for the term of the debt. Mr. Ledoux noted that member communities have first rights for enrollment, so Belmont risks being able to enroll its students in the future if it were not a member community. Mr. Hickling inquired if any other communities were contemplating returning, and Mr. Ledoux responded "not at this time."

<u>Member Per Pupil Cost</u> The operating costs for member communities is $31,207 for FY20. The out-of-district tuition (set annually by the State) is $17,965 (FY18 rate), plus a SPED charge of $6,200 and a capital charge of $6,201.50 or $4,651.12 (depending on the total # of students from the sending town). Transportation costs are paid by the sending town for non-member communities. Mr. Gerardi noted that the average per student transportation cost is $3,200. Member towns are paying a slightly higher per-student rate for access to guaranteed enrollment and for a seat on the MSC.

<u>Excess & Deficiency (E&D)</u> The certified E&D as of July 1, 2018 is $558,857. The goal of the District is to maintain an E&D balance within 3-4% of the operating budget. Mr. Gerardi indicated that he anticipates a FY19 balance of about $600,000.

<u>OPEB</u> The OPEB unfunded liability is estimated at $22,712,987 as of June 19, 2020, and the ARC (annual required contribution) is estimated at $2,023,000. Since FY16, the District has been appropriating $50,000 annually to the OPEB reserve fund. The District recognizes that this amount is not sufficient, and this issue will be addressed by the MM Finance Subcommittee in the near future. Mr. Hickling asked that the FC be kept informed as to how this OPEB deficit will be addressed.

<u>Benchmarking</u> In looking at MM's costs when compared regionally to traditional high schools, it was noted that MM is required to employ a full vocational-technical faculty in addition to a full academic faculty, and special education staff. Transportation costs are substantial due to the District's geography, and SPED students represent approximately 50% of enrollment. Mr. Gerardi emphasized the significance of this latter number when compared to the high MCAS success rate.

<u>Miscellaneous</u> In response to a question from Mr. Guarriello, Mr. Gerardi noted that 60% of MM's graduates go on to a 4-year college. Mr. Ledoux remarked that MM is holding an open house on November 17, and all are welcome. In response to a question from Ms. Hartman, Mr. Gerardi indicated that expenditure projections for FY21 are not yet available. He noted that the school's decennial accreditation is up this year, and the teacher's contract is up for renewal. Mr. Hickling indicated an interest in being notified when the OPEB Subcommittee plans to meet. In response to a question, Mr. Mahoney indicated that salaries account for approximately 50% of the budget. Ms. Reynolds

indicated that the MSC has distributed an RFP seeking a partner for control/use of the fields, as a possible source of revenue.

Citizen Comments
Ms. Proctor asked how a decision is made on admittance when there is a waiting list. Mr. Mahoney indicated that admittance for all is based on grades, attendance, behavior, recommendation from the Guidance Counselor, and an in-person interview. No one is admitted without meeting this criteria.

Finance Director 's Report
FY20 Status Update   Ms. Lafleur reported that FY19 will close with an excess of approximately $564,000. The school's FY19 numbers are not yet finalized. She anticipates having final numbers at next week's meeting. For FY20, she estimates $1.235 million in new growth will be available, which is higher than projected ($1.1 million). The new Residence Inn is fully operational, and the hotel tax revenue for FY19 is $865K (up from $450K in FY18). FY19 meals taxes are approximately $423K. These numbers are difficult to project, since the state pays the Town quarterly, but does not provide a breakdown, and no further information is available from the Dept. of Revenue. Ms. Lafleur reported that there are no major development projects in the pipeline, so revenue from building permits is stable and she does not project an increase in FY21. She noted that the Town is being as aggressive with investments as possible, under state guidelines, and rates have improved, so income is up to $855K in FY19. Ms. Hartman asked whether the Town is forecasting revenue too conservatively. Ms. Lafleur responded that Concord's revenue model anticipates an increase in revenue combined with a balance in unexpended appropriations of approximately $1 million/year, and an appropriation of $1 million/year to reduce the tax rate. In response to a question from Mr. Patel, Ms. Lafleur indicated that during a recession, local receipts are apt to fall. State aid will eventually decline, but there is generally a lag of 2 years.

Mr. Banfield noted that the Select Board has on its October 7 agenda the issue of establishing a Stabilization Fund for the middle school.

FY21 Estimate of Available Resources for Guidelines   In FY21, Ms. Lafleur anticipates an increase in revenues of approximately 3%, and a fairly level amount of excluded debt. The $1.1 million in project new growth is lower than what we've seen recently, but it is still early in the process. She has looked at non-guideline expenditures and noted the following:

- Health insurance–an increase of 11% has been plugged in, but it is still early; 2/3 of eligible employees are enrolled in the Town's group insurance, leaving a large number not enrolled; some of the 11% increase is for a premium increase, and some for increased enrollment

- OPEB–valuation is due late in November; she has plugged in $1.617 million, which is the ARC for FY21; she noted that she plans to speak with the actuary to see if the assumptions should be adjusted (discount rate of 7.25% vs. 7.0%)
- Retirement–3% increase anticipated; 90% of the liability is funded
- Retirement Board plans to propose a warrant article for the 2020 Town Meeting requesting an increase in the COLA base from the current $12,000 to a higher number. She feels that the Town should not adjust the base until the Town's retirement liability is fully funded.
- Debt service projections are based on what is currently financed plus those items that we know will be financed in FY21
- Property tax assistance for seniors–In FY19 there were 59 applications, and 49 were granted; in FY20 there are 45 applicants. Ms. Lafleur noted that this is not a reduction in tax revenue–it is a shift from lower-income taxpayers to others.

Ms. Ortner asked how the 2040 date for fully funding OPEB was reached. Ms. Lafleur responded that the 2040 date was selected in 2007, and it appeared to be appropriate at that time. The Town's retirement liability will be fully funded in 2030, so she will ask the Town's actuary to look at a closer date for OPEB. In summary, Ms. Lafleur anticipates that an increase in expenditures of 2.79% will be available for FY21, for a total amount of $2,459,527. This will leave a balance of 3.93% in unused levy capacity.

> **Follow-Up:** Mr. Hickling asked Ms. Lafleur to re-send to the SB the chart reviewing the tax impact of capital projects that she prepared last spring, prior to the October 7 discussion on the debt stabilization fund. Ms. Lafleur indicated that she can update the chart with more current information.

Adjournment
The meeting adjourned at 8:52 pm.

Respectfully submitted,
Anita S. Tekle

Documents Used or Referenced at Meeting:
- Budget Data Request Letter from FC to Chair of Minuteman SC (dated 7.31.2019)
- Minuteman School Financial Report presentation (dated 10.3.2019)
- Chart of nonresident capital fee vs. member town debt and capital assessment FY20
- Memo from Steve Ledoux to FC re: Belmont Membership (dated 10.1.2019)