

Finance Committee Meeting

February 20, 2020 7:30 PM EST
Veterans Memorial Building, Room #229
900 Main Street
Millis, MA 02054

In Attendance:

Jodie Garzon, Chairman
Peter Berube, Vice Chairman
Doug Riley, Clerk
Joyce Boiardi
Jim Borgman
Cathy MacInnes
Shawn Power
Craig Schultze
Katie Tieu
Michael Guzinski, Town Administrator
Terry Wiggin, School Business Manager

Jodie Garzon called the Finance Committee Meeting to order at 7:30 PM.

65/35 Revenue Allocation Review:

Craig Schultze discussed the three scenarios of the Revenue Allocation for FY21 discussed at last week's meeting:

- (1) Traditional 65/35 split
- (2) 4% Growth Rate Cap
- (3) Excluding Regency at Glen Ellen revenues in Operating Budgets and using those funds strictly for Capital Improvements.

He noted including Health Insurance costs to each department's Operating Budget would not have an impact on the Proposed Revenue Split. The town's health insurance is provided by GIC, which offers a lower rate which is not negotiated and was implemented 10+ years ago as an option to reduce Health Insurance costs.

His goal in providing the 5-year possible options was to:

- (1) Fund level services for the next ten years without any cuts to departments.
- (2) Set aside surplus revenue funds for Capital Improvements; money for Road Improvements is a critical need.
- (3) Provide a known and predictable Growth Rate to all departments so they can plan accordingly.

Option #1: Traditional 65% School Department and 35% Municipal Department revenue split provides for a 4.14% – 5.13% Growth Rate until FY27. It does not provide funds for Capital Improvements and dedicates all new revenues to Operations.

Option #3: Excluding Regency at Glen Ellen revenues from Operating Budgets and nominal Growth Rate provides an abundance of funds for Capital Improvements but does not provide sustainability.

Option #2: 4% Growth Rate for all departments addresses the \$4.4 million Capital Improvements the town is facing over the next ten years and allows nine years of growth to all departments. Any surplus funds not used for Capital Improvements could be added to the Stabilization Fund to offset shortfalls in later years. Preventive maintenance on the High School with such funds could help mitigate replacing the facility. With these factors weighed, Craig Schultze is proposing Option #2 for FY21.

More concrete numbers will be included as soon as the Tri-County School Assessment and FY21 Healthcare Insurance costs are known.

The committee's goal this evening is to agree on a Proposed Revenue Allocation for FY21 and to discuss it with both the Select Board and School Committee next Wednesday.

Peter Berube questioned if there would be competition among the School and Municipal Departments for allocation of funds for Capital Items and the need to get enough votes at Town Meeting for appropriation of funds. He also inquired what the average growth rate in Operating Budgets is for the Municipal and School Departments. Mike Guzinski explained the Municipal Departments have Step Raises and Cost of Living increases. Depending on the tenure of an employee depends on if a Step One or a Step Ten Rate is used – which is the maximum for most Municipal Employees and Collective Bargaining Units. Terry Wiggin explained the School Department's Step Raises and Lane Raises are typically 2% each. The average for the School's Annual Salary increase is 3.5 – 4%. However, in order to competitively hire Transportation Drivers their latest Collective Bargaining Unit Agreement was upwards of a 20% increase in Salaries. The School's Step Raises are up to a Step 14 which is comparable to surrounding towns. The starting salary for a Bachelor's degree Step One is \$50,000.00 - \$53,000.00, Bachelor Step 14 is low \$80,000.00 and a Doctorate Step 14 is \$105,000.00. The State does require Teachers to obtain a Master's degree within the first five years of employment. Teachers typically retire after twenty years. Craig Schultze clarified that Lane Raises are when a Teacher obtains a Master's degree, Doctorate, etc. and is unique to the Teacher's Union. Terry Wiggin noted that in order to retain Teachers, the School Department bargains accordingly.

Jodie Garzon emphasized the Revenue Split Policy is not set in stone and will be reviewed regularly in order to manage the town's growth in all departments. Doug Riley noted the FY21 Preliminary School Operating Budget reflected a 4.3% increase for Salaries and Expenses. Terry Wiggin agreed, 4% for both could be correct. Craig Schultze noted that the School's Choice-In Tuition and Other Funds offset a lot of their Salary Costs.

Doug Riley remarked historically when using the 65/35 Revenue Split, Capital Improvements were funded by Free Cash or Borrowing. Some items on the Capital Planning Committee's (CPC) Report should or could be included in Operating Budgets. Peter Berube, member of the CPC agreed – vehicle leases, equipment leases, curriculum, etc. will be considered as additions to department Operating Budgets. Craig Schultze noted that in the past, funds for Capital Items were used to add Staff instead of their intended purpose and that is why the funds are appropriated by a Town Meeting Vote.

The Revenue Split Policy relies heavily on the Starting Base Budget for both the School and Municipal Departments. That base will be reevaluated for FY22 and consideration will be given to adding Health Insurance and Benefit costs as well as recurring lease payments, etc. to Operating Budgets. Craig Schultze noted that using surplus Capital funds for additional staff will result in unsustainable budgets in future years; Capital Improvements are a one-time expense whereas Salaries are not.

Cathy MacInnes and Joyce Boiardi voiced their concerns with using Regency at Glen Ellen Revenues for the School Department's Operating Budget; there is a lot of other over 55 New Growth throughout town, Acorn Place and the Assisted Living Facility, that will not have an impact on the School Department. Those funds should be used for the Senior Center or Fire and Rescue. Craig Schultze reassured the committee that typical New Growth figures were used in the Proposal. New Growth could potentially come in higher or lower than projected. Peter Berube reiterated that Option #3 is unsustainable in future years and would result in cuts if an Operational Override wasn't passed and would run the School Department in a deficit.

Mike Guzinski emphasized that the over 55 communities will increase Public Safety, Council on Aging and possible the Library's services. The FY21 Revenue Projections are still unknown depending on the speed of construction and Marijuana Sales; the FY22 Forecast will reflect more confident numbers. He reminded the committee; Marijuana Revenue cannot be appropriated until the town has received the funds. He also feels FY21 will be a tight year and cautioned the committee there is no guarantee on the FY21 Revenue Forecast at this time.

Craig Schultze acknowledged the 4% Growth Rate for the Schools is sufficient without penalizing the department by withholding the over 55 communities' revenues. The committee could agree to increase the Municipal Growth Rate to 4.25% if the need is determined at a later date. Ultimately, Town Meeting decides the Final Operating Budget for the following Fiscal Year. Jodie Garzon stressed the Revenue Split Policy is a framework and will need to be considered by both the Select Board and the School Committee. Also, Option #2 provides funds for Capital Improvements without Borrowing to fulfill those needs. Peter Berube noted that at the Fall 2019 Town Meeting, (2) Police Officers were added to the Police Department's Operating Budget and consideration should be given to increasing their Base Budget. Doug Riley agreed Option #2 provides flexibility and is a workable solution. Craig Schultze stated the Revenue Split Proposal is not a By-Law and is simply the Finance Committee's philosophy to guide all departments in Operating Budget preparations. It is an Internal Policy and will be reviewed annually. Jodie Garzon agreed it is an appropriate benchmark, guidance the committee is adopting to be communicated to all town departments including the schools. Peter Berube suggested clarification of Growth in Revenues or Growth in Expenses; Craig clarified 4% growth of all expenses. Change in percentages as the committee sees fit will be reviewed in FY22. Jodie Garzon noted that if indeed excess funds will be appropriated to the Stabilization Fund, the Stabilization Fund Policy should be revisited; Craig Schultze suggested possibly setting up a Subsidiary Stabilization Fund for tracking purposes.

Craig Schultze made a motion to recommend the adoption of an Internal Policy in FY21, the Finance Committee will allow a Budgeted Expense Growth Rate of 4% for Municipal and School Operating Budgets, reserving the remainder of funds to be allocated in an appropriate manner. If funds are not high enough to allow for equal growth for both the School and Municipal Operating Budgets, available funds will be allocated on an equal percentage basis; Peter Berube seconded.

Further discussion: Jim Borgman inquired if a 4% Growth Rate on Expenses is appropriate, overall household operating expenses do not grow by 4% annually. Terry Wiggin noted that the School Department's Salaries increase approximately 13% and their expenses increased approximately 2% annually. However, the New Clyde Brown School is a larger facility and will cost more in utilities. Also, there has been a reduction in Federal Grants over the last three years. Mike Guzinski noted that the 4% increase to overall budgets will help offset Unfunded Mandates. The Municipal Departments' ratio of Salaries and Expense is approximately 65% Salaries, 35% Expenses. Jodie Garzon requested a list of grants each department has received over the last few years that have helped offset Operating Budgets and Capital Improvement requests.

Vote: 9/0 motion carries unanimously.

Jodie Garzon thanked Craig Schultze for all his hard work in providing this information to the committee.

Meeting Minutes Approval:

Cathy MacInnes made a motion to recommend approval of the February 12, 2020 Finance Committee Meeting Minutes; Peter Berube seconded. Vote: 7/0 2 Abstained. Motion carries.

Old Business/New Business:

Mike Guzinski will give a broad stroke overview of the FY21 Operating Budget Requests at the February 26, 2020 Finance Committee Meeting as well as highlight the May 2020 Warrant Article List.

Adjourn:

Cathy MacInnes made a motion to adjourn the Finance Committee Meeting at 8:56 PM; Peter Berube seconded. Vote: 9/0 motion carries unanimously.

Respectfully submitted,
Deirdre Gilmore