

Finance Committee-Final
Monday, October 27, 2008
7:00 PM
Sanford Hall

Joint Meeting with the School Committee

Present:

Frank Faist, Chair
Lawrence Ellsworth, Vice Chair
Phyllis Cerel
Mark Brown
Paul Marble
Eric Arbeene
Jan Fish

School Committee members present were: Diane Borgatti, Chair; Debora Trindade, Vice Chair; Carole Bernstein; Steven Dahl; and Dawn Rice-Norton.

Also present were: Judith Evans, Superintendent; Diane Rockland, Asst. Superintendent; and David Verdolino, Business Manager.

Mr. Faist called the joint meeting to order. The meeting began with introductions of the School Committee members and School Dept. personnel followed by the Finance Committee.

Mr. Faist stated that the purpose of the meeting was to discuss the Finance Committee's expectations with regard to the School Committee's presentation of its budget. He referred to the list of questions prepared by the Finance Committee for the School Committee ahead of the meeting and stated that the main objective was to create an open line of communication so there would be no surprises in the budget.

Ms. Borgatti stated that the School Committee believes it has a transparent budget. She noted that the School Dept. has to answer to the state and federal government, too, which is why its budget might look different than what other Town departments produce. She also said that the way they must account for their budget makes it difficult to make "friendly" reports. She said that adding a Finance Committee liaison to the School Committee's Budget Subcommittee should help to answer many of the questions the Finance Committee might have about their budget.

Dr. Evans explained the philosophy of the School Dept. budget. She stated the Budget Subcommittee discusses the budget in detail, including how to market it to its audience. She provided the Finance Committee with a budget calendar and explained their budget development process. She said they intend to present the first working draft of the budget to the School Committee at its first meeting in November. They would submit it to the Town Administrator in January.

Dr. Evans stated that Asst. Supt. Rochlin was present to discuss special education, which accounts for 20% of their budget. Dr. Evans said there seems to be a perception by the Finance Committee that the School Dept. has significant discretionary money. She refuted this by

reviewing a number of mandates that drive the budget. She said the cost drivers would be presented to the public.

Mr. Faist said his exposure to the budget has been Mr. Verdolino's handouts. He acknowledged that the department has mandates but asked that the department's assumptions used to create the baseline of their cost be accounted for when assigning numbers in the budget.

Dr. Evans continued the review of the handouts she brought. She said the next couple of pages in the packet enumerate required non-discretionary spending. She said they have also provided a summary of budget cuts towards the back of the packet. She said that much of the budget information they have provided can also be found on the Dept. of Education (DESE) website. She briefly reviewed other pages of the handout, including net school spending, net school spending requirements, and comparable districts.

Mr. Faist said he was concerned about comparing the information on the state website with the Town's budget. He does not believe it is an apples to apples comparison. He cited the fact that the attribution of the health benefits as an example. Mr. Verdolino said the cost of benefits are on the DESE site. Mr. Faist said Medway residents do not see the cost of the benefits directly attributed to the Schools for an accurate comparison on the local level.

Dr. Evans elaborated on net school spending. She said Medway is at 10% above the minimum requirement. She said if the Town makes cuts to the School's budget, the Town could fall below the requirement and could be penalized by a reduction in Chapter 70 aid.

Mr. Faist said the School Dept. provides minimal information on its budget by way of explanation. He stated the Finance Committee would like to expand that considering the fact the School Dept. budget is 65-70% of the Town budget.

Dr. Evans said it takes time and patience to communicate the budget. She said they try to ensure their budget is presented on TV and that public forums are held strictly on this topic. She said she could provide a document for distribution. She mentioned that when she attended Town Meeting prior to her appointment as Superintendent she was surprised to see the School budget pass without a question. Mr. Faist stated that he would like to include the summary document she referred to included in the report of the FINCOM to the Annual Town Meeting booklets that are sent out in the spring.

Ms. Rice-Norton said the School's PowerPoint presentation of its budget is posted on the web. She said it defines priorities and driving factors. Mr. Faist said he is not saying the information cannot be found somewhere. He stated that the history of the budget process as it relates to his committee has been somewhat lacking in information. Dr. Evans said the budget is very detailed, right down to teacher specific salary. She asked what additional information he was seeking.

Dr. Evans pointed out that the biggest unknown in the budget is the revenue. She said they can predict with some accuracy what the Chapter 70 number will be and said they could expect that number to be maintained even with the economic downturn. She stated the role of the School Committee is to advocate for students, articulate needs and work backwards from there. She said the committee proposes to come forward with a budget based on needs. She said she does expect to make budget cuts before it goes to the Finance Committee and afterwards.

Mr. Faist said he identified four categories into which a budget can be identified: a needs based budget, a status quo budget, level services and level funded budgets. Mr. Faist stated that last

year the Town side had to put together a level service budget and a level funded budget. He said there were incremental wish lists known as program improvements prepared as well. He said he would like to see that from the School Committee and would be asking the Board of Selectmen to request everyone use the same terminology when developing their budgets. Ms. Borgatti said the School Department has needs, not wishes.

Dr. Evans said that level funding would mean cuts. She said level service terminology does not work either because the School Department's needs change every year.

Mr. Ellsworth asked what term the School Dept. would use. Dr. Evans said they would present a needs based budget. Mr. Verdolino stated that Dr. Evans has the right to present the budget as she sees fit. Mr. Faist said that the terminology is important to establish so that all departments will be presenting budgets in the same format. Dr. Evans replied that the School Dept. is complicated; there is no such thing as a level service budget. She said she would like to add school building based information to the budget, as well as performance data, enrollment, the team structure at the Middle School, and electives at the High School.

Mr. Faist said knowing the background and assumptions is helpful. He said when assumptions change or are no longer factors in their budget the Finance Committee would like to know about it. Ms. Borgatti stated that the School Dept. typically absorbs the unexpected budget hits and does not go to the Town for additional funds. Mr. Faist agreed that the department has managed its budget well. He said that they need disclosure, however, to help educate the residents of the issues the schools deal with during any given year.

Dr. Evans said she reports to the School Committee on the financial condition of their budget on a monthly basis. She said this includes the operating budget, revolving accounts, and grants. She said that the Finance Committee could see the ebb and flow of the finances.

Dr. Evans asked Dr. Rochlin to present information about the special education department. Dr. Rochlin provided an overview of the state and federal regulations affecting special education. She stated that every town is responsible for identifying students from the age of three to age twenty-two who have disabilities and require specialized instruction. She said that regulations specify that services must be provided in the least restrictive environment, which necessitates many programs and services. She referred the committee to a comparison of the out of district placements and noted the associated cost to the district beginning with FY 05. She reported that the cost of 46 students in FY 05 was \$1,695,535. She reported that the cost in FY 09 for 26 students is \$1,872,981.

Dr. Evans said they try to keep as many students in district as possible. She said the main reason for the rising cost of out of district placements is the increase in tuition costs, over which the district has no control, and the cost of residential placements, which are extraordinarily costly.

Dr. Rochlin continued referred to page two of her handout which details Medway's special education programs. She also discussed special education related services. She said they have a three prong approach to disability identification requiring special education services. Mr. Faist interjected to state that mandated services are not fully federally or state funded. Dr. Rochlin said that some are, but they are pushing for full funding. She said that right now the district receives about 40% of the cost of the mandated services.

Mr. Faist asked how the district gets the funds. Dr. Rochlin answered that Mr. Verdolino applies for grants to fund staff. Mr. Verdolino confirmed that 40% of their funding is received by federal

grants and Chapter 70 money. Dr. Evans mentioned circuit breaker money is received the year after the money is expended. Mr. Verdolino said that the threshold last year was \$32,000, or four times the foundation budget. Dr. Rochlin said that this year they received 72% of that amount. Dr. Evans added that special education transportation services are not reimbursed.

Mr. Verdolino noted that grant funded teaching positions are represented in the budget. Mr. Faist said he wants the public to be made aware of fixed costs.

Dr. Rochlin said one reason for showing the comparisons of the out of district placement is to show Medway's improvement in keeping these students in the least restrictive environment. She reported that of a student population of 2,763, 551 are on Individual Education Plans (IEPs).

Ms. Fish asked if the district is paying for the transportation of the out of district placements. Dr. Rochlin answered yes; the federal government defines it as a related service. To give an example of the cost of out of tuition placements, Dr. Evans mentioned that tuition at Perkins is \$246,000 year. Dr. Rochlin added that tuitions are approved by the state; they have no control over the cost. The chair added that the tuitions can be retroactive. She also clarified that if the district has a residential placement whose family moves from the Town to another community Medway is still responsible for the full year of tuition for that student.

Dr. Rochlin reviewed the special education data by school. She reported the total special education professional staff is 39.9 and paraprofessional staff is 47.8. Mr. Faist requested that the FTE number also be shown as physical numbers. Dr. Evans asked why. Mr. Faist answered that he wants to know the actual numbers of employees in the School Department. Ms. Trindade stated that the budget book delineates how the staff is allocated. She said it is color coded data and will show a 0.8 status in one school and 0.2 in another as appropriate. Mr. Faist said looking at the data in that format is labor intensive for the Finance Committee.

Dr. Evans said she still did not know what Mr. Faist was trying to accomplish. He said that he wants to normalize the data with the Town side budgets. Mr. Ellsworth added that it is part of the picture, not a criterion. Dr. Evans said she thinks some people may have felt that the school was hiding behind that number. Mr. Faist said the Town does not do FTE's. There was further discussion about the relevance of physical numbers. Ms. Fish said that understanding the impact of the staff allocation is significant for the general public.

Dr. Rochlin concluded her report on special education with the district's strengths and challenges. She said the district is trying to meet all of the requirements of free public education in the least restrictive environment in a fiscally responsible manner.

Ms. Rice-Norton pointed out that the numbers are fluid. She said all the department needs is one out of district enrollment to significantly impact its budget. She said they could add "descriptors" to the budget to detail the department's efforts to keep costs down, e.g. substantially separate classroom to keep students in district.

Dr. Evans gave credit to Dr. Rochlin for her efforts to keep the out of district placements low. Dr. Rochlin said that is a benefit to these students and the general education students; there is learning on both sides.

Dr. Rochlin noted that the district's Coordinated Program Review is coming up this year.

Ms. Fish asked for clarification of the out of district placement totals and tuitions. She also asked about the physical therapist the district retains at an hourly rate. Dr. Rochlin said they have had to rely on contracted services on occasion and it is generally not cost effective.

The committees moved on to the previously provided Finance Committee questions. Mr. Faist said they have already covered definitions, which was question #1. He said he would like those to be identified in the minutes and to use them globally. Dr. Evans said the School Committee would not be using them.

Addressing question #2, Mr. Faist said they want to see actual expenditures. He said they have already discussed special education. Dr. Evans said there have been actuals presented. Mr. Faist said he has had trouble understanding them. Dr. Evans said the projected versus the actuals are very close in their budget. She asked him for specifics. Mr. Marble said the elevator expense would be an example of an unbudgeted expenditure. Mr. Ellsworth expressed these as mid year corrections. Ms. Trindade said the School Department has done a good job with maintenance issues.

Mr. Ellsworth asked for attention to be drawn to the volatile line items. Dr. Evans reiterated that most of the budget is predictable. She said the biggest line item is personnel. She said sometimes grants can pose a surprise.

Mr. Faist said that unexpended funds on the Town side fall to free cash. He commented that when budgeting the Town presents actuals and the projected budget on the same spreadsheet. He asked where the Schools' unexpended funds go. Ms. Trindade said these fall to free cash as well.

Mr. Faist addressed question #3. The first subsection asks for a breakdown of staff by category and physical numbers. Dr. Evans again asked why he would need that information. Mr. Faist said to start he would like an electronic copy of their budget.

There was discussion of student to teacher ratios. Ms. Trindade said that Medway is on the high side at 17.1:1. Mr. Marble asked if the School Dept. has target numbers. Dr. Evans said she is looking at this now. She said that she discovered some fifth grade math classes that have over 25 students in them. She said this is too high, particularly given that the Middle School is on corrective action. She said most class sizes are within reason, however. She said she regrets not being able to provide some electives at the High School because they do not have the staff. Ms. Trindade said the numbers are more concrete at the lower levels. Dr. Evans stated the School Dept. determines the needs and the Finance Committee determines if they are reasonable.

Mr. Faist moved onto question #3b., which deals with year to year comparisons of expense items and budget drivers. Dr. Evans asked Mr. Verdolino if he had any questions about the request. He did not. Answering to another part of the question, Dr. Evans said that the budget reflects the grants. Mr. Faist said they do not show up on the revenue side. He asked if the grants fund benefits. Dr. Evans said they fund retirement benefits, but not insurance costs. She noted that all health insurance costs are accounted for in the Net School Spending (NSS) formula. She said if the Town were to remove this item from the formula, it would be responsible for making up the deficit in NSS.

Regarding question #4, Dr. Evans thanked the Finance Committee for the suggestion on benchmarking. She said they are proud of their achievements.

Ms. Fish asked for a comparison of spending per pupil and MCAS scores. Dr. Evans said that information would show the district is spending their money well. She said in Shrewsbury, the district she previously worked in, was in the top 20% for MCAS scores but spent in the bottom 20%. She said Medway is comparable and is using its funds as efficiently as possible.

Mr. Ellsworth asked if it was possible to see per pupil spending by grade, which would help identify where additional funds would need to be expended. Dr. Evans replied that High School students are inherently the most expensive. She said a better question to ask is, "What are our needs?" She said they need to focus on the elementary and Middle School levels to achieve Adequate Yearly Progress.

Mr. Faist asked about the Schools' wish list. Mr. Dahl said to simplify they look at what the School Department asked for that was not funded. Mr. Faist said that program improvements are a good thing. Ms. Trindade said that Jeff Devolder is the liaison to the Budget Subcommittee, which would help the Finance Committee to have a clearer understanding of the process.

Mr. Faist referred to the topic of benchmarking. Dr. Evans responded that some of the data was in the handout the committee received.

Ms. Borgatti stated that the budget dialogue should continue in January and the Finance Committee's liaison could update them in the meantime. Mr. Faist said the School Committee could chair the next meeting. Ms. Borgatti said that they would host. She said the School Committee appreciated the questions and reiterated that it is a complex process and the taxpayers should know it is a very thoughtful document.

Mr. Faist thanked the School Committee and department staff for answering their questions. He said that the information was helpful to their ends.

Mr. Ellsworth moved, seconded by Mr. Arbeene, and it was **VOTED:** to adjourn.

*approved 12/10/08