

HAMILTON FINANCE COMMITTEE

WENHAM FINANCE COMMITTEE

HAMILTON WENHAM REGIONAL SCHOOL COMMITTEE

MINUTES OF JOINT MEETING

January 26, 2017

Members Present: Darcy Dale, John Pruellage, Phil Stearns, Nick Tensen, and David Wanger

Others Present: The Wenham Finance Committee, the HWRSD School Committee, Jeff Sands and Michael Harvey

This meeting was called to order at 7:09 pm by the HWRSD School Committee, Michael Lucy (Wenham Finance Committee), and David Wanger (Hamilton Finance Committee).

Michael Harvey presented the level service budget, with no new services, programs, or staff.

The increase in operating expenses was \$1M or an increase in assessment to the towns of \$339,000. (1.3% increase). In the future, the school was looking to renovate the library spaces in all of the schools. Jeff Sands said the budget was the most difficult in the last four years, not only because of the extreme financial situation of one of the towns, but because of the increases in non-contract costs. Key Assumptions included a 2.5% increase in COLA for all with three bargaining units, contractual salary obligations, teacher steps, and pay differentials. There was a recommendation for a reduction of four FTE creating \$225,000 in salary cuts. Staff reductions were according to enrollment reduction. Due to retirements, there was \$187,000 savings due to staff replacements. The majority of operating categories were level funded.

There would be level services with the exceptions of non-salaried fixed costs which were growing. Out of district tuition was up 25% to over \$.5M and special education transportation costs related to the cost of the increase of out of tuition increased, 15.5% or \$65,000. Essex Retirement increased 7.5%, or \$63,000. Health care premiums realized a 5% increase. OPEB trust would be funded for the next 30 years, beginning in FY18 with \$50,000. There was a recommendation to reduce the capital element by 36% from \$312,000 to \$200,000.

The final assumption was excesses and efficiencies. The school district received certification by the DOR, and would apply \$570,000 of the fund toward FY18. The excesses and efficiencies policy outlined that each year the books be closed and by October, the school would submit the calculations to the DOR and they would provide certification back to the district. The policy between the towns, school committee, and administration, called for 3% of the gross operating expense budget be applied to create a reserve fund and anything above that amount would be returned to the towns proportionately. In the FY16 Budget, the school placed 3% of \$900,000 into the reserve fund and the amount above that would be returned to the towns in the budget cycle.

The operating expense increased by a little over \$1M or 3.24%. Expense offsets were flat compared with the prior year. Debt service expenses moved from budget to budget. Last year the school was anticipating bonds for Winthrop School to close, but the project was late and didn't

convert until October so the assumption was more conservative in terms of principal and interest creating savings in FY17 and FY18.

Revenue included Chapter 70 and Chapter 71 (transportation), which were calculated by taking the prior year and using the number for the FY18 Budget. There was \$4M for Chapter 70. The numbers were prepared eight weeks prior, but there might be a \$25,000 increase based on the Governor, which Jeff Sands did not recommend applying because it may not be like that in August. If the favorable number was realized, it would be applied to excess and efficiencies in the future. There would be \$676,000 (13%) in revenue sources (Ch.70, Ch. 71) and excesses and efficiencies. An assessment of \$339,000 (1.3% increase), once put through the apportionment filter, would result in a decrease of \$93,477 for Hamilton and a 5% increase or \$132,534 for Wenham. The impact of the enrollment piece (319 students to 432 students) was 72%.

In response to Nick Tensen's question regarding if the excesses and efficiencies experience would be repeated, Jeff Sands answered that the school had over performed which was attributable to a favorable variance of the Operating Budget. There was a \$50,000 excess in Chapter 70 funding and \$56,000 from the transportation reserve. There were \$87,000 in Medicaid reimbursements and encumbrances from FY15. All were unpredictable and could not be factored into as a source of revenue.

The Operating Expense Budget, with a 3.5% increase, had drivers such as COLA, teacher step increases and Essex County Retirement. There was a cost of \$.5M for out of district education, up 25% with \$65,000 in associated transportation costs. Health care was up 5%, with a shift in the number of single to family policies causing an increase in premiums. 82% of the Budget was increasing less than 1%.

In response to a question regarding deferred capital improvement, Jeff Sands said last year they had developed a five year capital plan and this was a short term solution. The discussion would need to be had regarding long term capital improvements including the turf field. Maintenance was a separate item.

Over the last five years, the Operating Budget had increased 8% with an annual increase of 1.5%. The enrollment decreased by 121 students or 6.5% while staff decreased by 17 or 5.5%. Per pupil costs over the last five years increased 12.2% with an annual average rate of 2.4% versus the average in MA of 2.9%. Hamilton had a slower increase than 321 districts. David Wanger asked what the FY18 Budget would look like if this were adopted. Jeff Sands said he would have the three year forecast on February 9, 2017.

The School Committee would approve the Budget in February and Town Meetings would approve it in April. Out of district expenses were not determined to be trending, but the State was experiencing an increase of children with several special needs including socio and emotional needs. Not only due to opioids but cuts in the State's mental health budget so school was becoming the one responsible to help. Hamilton special education was at 25% while other school districts were at 30%.

There were several offsets to the net expense line including circuit breakers like out of district. At the end of the fiscal year, the school was eligible to put together a file of information about students and submit it to the State to claim amounts over \$42,000 per pupil for which the school would be reimbursed 70% to be applied to the next year.

In response to David Wanger's question regarding the reserve fund, which was funded at \$900,000 each year, Jeff Sands responded that the reserve funds were not used. There was

specific language for how they could be used. Twelve years ago, out of district costs were paid through the fund. The reserve fund was the same money being certified each year.

Wenham would need an override on FY19. David Wanger asked if they would conduct an actuarial study with the response being yes, it suggested a fund of \$25M with \$800,000 being funded for the next 30 years. Plymouth County had a joint OPEB.

Motion made by the HWRSD to adjourn at 8:19

Seconded.

Vote: Unanimous to adjourn.

Motion made by John Pruellage to adjourn at 8:19.

Nick Tensen seconded.

Vote: Unanimous to adjourn.

Prepared by:



2/17/17

Marcie Ricker

Attest

Date