

Needham Finance Committee
Minutes of Meeting of January 18, 2023

The meeting of the Finance Committee was called to order by Carol Fachetti serving as Acting Chair at approximately 7:00 pm in the Great Plain Room at Needham Town Hall, also available via Zoom teleconference.

Present from the Finance Committee:

Members: Karen Calton, Barry Coffman, Carol Fachetti (Acting Chair), James Healy, Joshua Levy, Richard Reilly

Others present:

David Davison, Assistant Town Manager/Finance Director
Dan Gutekanst, Superintendent of Schools
Anne Gulati, Assistant Superintendent for Finance and Operations
Alexandra M. McNeil, Assistant Superintendent for Human Resources
Mary Lammi, Assistant Superintendent for Student Support Services
Carmen Williams, Assistant Superintendent of Instruction and Innovation
Matthew Spengler, Chair, School Committee
Michael E. O'Brien, School Committee
Elizabeth Lee, School Committee
Alisa M. Skatrud, School Committee
Connie S. Barr, School Committee
Michael J. Greis, School Committee

Citizen Requests to Address the Finance Committee

No requests.

FY2024 Department Budget Hearings

School Department

Mr. Levy introduced the budget. He stated that the liaisons have had three meetings to review the budget. The FY24 request is for \$92.2 million, an increase of almost 5.6%, or \$4.9 million, over the FY23 budget. The request includes 14.32 additional FTEs: 2 kindergarten TA's, 7.41 FTE student services teachers, 2.8 FTE special education paraprofessionals, 0.6 literacy specialists, 1.06 special area teachers, 0.4 FTE to expand the elementary principal, and 1 director of guidance at the high school. He noted that out-of-district (OOD) costs are increasing \$1.3 million, though not all of it needs to be covered by the tax levy. School enrollment decreased during the pandemic, and is slowly recovering, and expected to be fully back to the pre-pandemic levels in 2025. He added that the demographer will be meeting with the School Committee next week. Mr. Levy stated that the percentage of special education (SPED) students has increased to 18.2% of the total enrollment. He stated that there are lingering effects of Covid being addressed. Also, there are three labor unions that have contracts expiring that are being negotiated. He stated that there is a state "circuit breaker" program to reimburse for SPED expenses. The budget assumes reimbursement of 70%, or \$3.15 million, in FY24. \$493K of circuit breaker reimbursement is budgeted to partially fund the increase in OOD tuitions.

Dr. Gutekanst presented slides and an overview of the FY24 budget request. He stated that the total requested increase is almost 5.6%, the bulk of which is needed to provide level services. The budget was developed with the priorities outlined in the “Portrait of a Needham Graduate” plan. He stated that the primary issues affecting the budget are the continuing effects of Covid on learning and mental health, inflation, the need for competitive wages to assist with hiring and retaining staff, and infrastructure needs. He stated that enrollment has been increasing since the downturn at the beginning of the pandemic. There has been a shift in demographics, including a notable increase in the number of students who are learning the English language. Mr. Healy asked how students learn from teachers who may not share their language. Ms. Lammi described the program which has specialized teachers in each school teaching English language learners in small groups. Dr. Gutekanst noted that the program covers cultural aspects as well as language.

Dr. Gutekanst stated that the percentage of SPED students is increasing. The vast majority of these students are in the regular classrooms, but more teaching assistance is often needed. He stated that the proportion of economically disadvantaged students is also increasing. Mr. Reilly noted that the chart shows a steep increase in the percentage of SPED students from 2020 to 2022 and asked if it might be related to Covid. Dr. Gutekanst stated that they had not done an analysis to be able to say that. He stated that the student/teacher ratio is improving, but still on the high side compared to other local communities. Mr. Healy asked if the student/teacher ratio in the proposed FY24 budget is the same or expected to change it. Dr. Gutekanst stated that the FY23 budget plans to maintain the same ratio, not change it, but that the actual number will depend on enrollment.

Dr. Gutekanst stated that the contracts for the teachers unions, units A and B, have been negotiated and settled. Initially, those unions voted down the negotiated cost of living adjustment (COLA), but the parties went back to the bargaining table and in July they reached agreement. Bargaining units C, D and E, which represent teaching assistants, office and clerical staff, and nutritional services staff, will be negotiated this year. He stated that they are all looking for fair salaries yet affordable increases. He noted that these employees include the lowest paid and the hardest to hire, and that Needham’s pay is on the low end. He stated that the increases include some catch-up since the wages have historically been low. He noted that the comparison charts are not clear comparisons since some bargaining agreements “sweeteners” such as additional leave or longevity payments that may or may not be included in the reported increases. He stated that the budget includes negotiated increases for unite A and B, but a best guess for units C, D and E. He noted that Needham’s salaries for these groups are not as competitive in the market as neighboring communities.

Dr. Gutekanst stated that according to numbers from DESE, Needham has one of the highest SPED student teacher ratios. The plan includes an additional SPED teacher at Mitchell. He stated that the Town must pay OOD for 78-80 students who have SPED needs that cannot be addressed in the district. Some of the OOD students are in day programs, which require daily transportation, while others with additional needs may be in residential programs. He stated that the department has worked hard to build in-house programs to keep as many students as possible in the district, but that requires space and staffing. Mr. Healy asked the cost difference for keeping students in district. Ms. Gulati stated that the cost of keeping students in district is approximately \$20,200 per year, and the OOD tuition ranges from \$40K to \$300K, depending on the type of program. The cost of transportation is additional. Dr. Gutekanst stated that the tuition for the OOD students is set by the state Office of Operational Services. Any school

providing services can petition for additional funding if they can show higher costs. He stated that the OSD unilaterally declared a 14% increase in tuition for FY24. He noted that over the last 10 years, the average increase has been about 2%. The budget for the new governor reflects an increase in circuit breaker funding that would increase Needham's reimbursement by about \$900K-\$1 million. Ms. Gulati stated that they are hoping for the legislature to provide some relief from the tuition increases. Dr. Gutekanst stated that he has been meeting with legislators to encourage them to act. He stated that the increase in the tuition is justified, but he thinks it needs to be phased in.

Dr. Gutekanst described the list of additional staff being requested in the FY24 budget. He described their process for re-positioning staff where they can to meet changing needs without increasing staffing levels unless necessary. He noted that the FY24 budget includes some requested programming increases, including increases in athletic subsidies and certain co-curricular and athletic stipends, an increase to fully fund the summer Bridges program for students who need additional services, an additional yellow bus for the district, and software upgrades. He also noted that there are a number of requests for increased programming that were deferred.

Mr. Healy asked for a breakdown of enrollment levels at the elementary, middle and high school levels for the last 10-15 years to clarify which level the additional students have been coming into. Ms. Gulati stated that she can provide that. Mr. Reilly asked whether the department has been able to fill the current budgeted positions since they are requesting 14.3 additional staff. Dr. Gutekanst stated that there are currently about 15 positions that need to be filled. He stated that this is relatively normal. They have a difficult time hiring TA's, drivers, and nutritional services workers, though things are getting better as they are increasing salaries. He stated that some of the difficulty is due to low salaries, and some is related to changes since Covid. For example, driving buses used to be something people did in their retirement, and now it seems that retirees are no longer interested. They are contracting out these services for a much higher cost, but they must provide the service. Dr. Gutekanst stated that they are not having trouble hiring professional staff, despite the fact that there are fewer people going in to the field because Needham is a desirable community to work for, but they struggle recruiting TA's since the salaries are low and are trying to be creative to bring them in. Ms. MacNeill stated that about 10% of the 14.3 additional FTEs are professional staff.

Mr. Levy provided a handout showing the amounts of circuit breaker funds received from the state in recent years and the amounts carried over to the following fiscal year. He stated that for these past few years, these funds have not been spent in the year received, but have been carried over to the following fiscal year. He asked if this has been intentional. He stated that he felt that it would be preferable to use outside funds for expenses rather than raising taxes. Ms. Gulati stated that the department is required to budget all of their tuition costs, and then reduce the request by the expected circuit breaker amounts. She described how, in the lead up to FY21, they projected several million in anticipated needs in excess of what they asked for due to the onset of the Covid pandemic. In order to plan for those costs, they carried over as much circuit breaker funding as they could. This served as a mechanism to have available funding for the Covid expenses including testing, tents, online academy, etc. They used other surplus funds to prepay tuitions, which freed up some additional funds in the following year's budget to fund Covid needs. They also used Covid relief funds where possible to meet Covid related expenses. Ms. Gulati stated that they had added \$180K to the supply budget for PPE and other Covid costs, but that amount has been taken out of the FY24 budget. She pointed out that the FY24 budget

includes no contingency funds for unanticipated OOD tuition costs or other expenses. He stated at the end of FY23, they will see if there are salary savings that they can use for OOD costs. Dr. Gutekanst stated that although there are unfilled positions, this year they had to hire 2 additional kindergarten FTEs because of the enrollment.

Mr. Levy asked if they plan to continue to carry over a large amount of circuit breaker funds each year now that they were able to start doing that during Covid. Ms. Gulati stated that they must budget for the use of circuit breaker funds each year and do not carry forward funds without a purpose and that they discuss it with the School Committee and Finance Committee before carrying over the funds. They have used the circuit breaker carryover for tuition prepayment to manage expenses between fiscal years. She stated that ongoing expenses need to be included in the operating budgets. Dr. Gutekanst stated that at the end of the year, if there are additional funds, they generally turn them back to the town or prepay tuitions for the following year which frees up tuition funds in the next budget as needed for other purposes. If needs crop up after the budget is determined, this approach can help the department to address them rather than needing to request funds from the Reserve Fund. Ms. Gulati stated that these funds should be used for one-time needs rather than ongoing needs. Mr. Davison stated that the School Department turned back about \$2 million to the Town at the end of FY22 which was the biggest amount ever, though the turnback has been zero before. He stated that, because of the legal requirement not to overspend the budget, a 2% turnback is considered a fully expended budget. Mr. Healy stated that he recalled the prepayment for supplies in the past to free up funds in the following year's budget. Dr. Gutekanst agreed and stated that have pre-purchased tuitions. They do not purchase anything in this way that is not an immediate and critical need. They would not use if for something new that they would like to add to the budget, but would use if for an immediate need to hire a teacher.

Mr. Reilly noted that there appears to be a significant increase in the costs for substitutes, increasing from \$250K in FY21 to over \$600K in FY24 and asked how much is attributable to increased need for substitutes versus the recent increase in pay to be able to attract more substitutes. Ms. Gulati stated that the amount budgeted for substitutes has actually not changed much, but the accounting method shows the actual expenses in different places. The line in the budget shows the budgeted total costs for all substitutes in FY23 and FY24, but the numbers for the actual costs for FY20-FY22 include only the cost of the daily substitutes. The actual costs of long-term substitutes are ultimately expensed to the department budget that hires the substitute and not accounted for in the same line. The reason for this is that they must report the daily and long term substitutes separately to DESE. Mr. Coffman asked if there is a correlation between the high costs of substitutes and increased turnover with the salary savings that occur due to unfilled positions. Ms. Gulati stated that the numbers are not directly related since substitutes are not hired for every position. Ms. McNeil stated that when they are paying for a substitute, there is not always salary savings. For example, if a person is out on paid leave, there is no salary savings even if a substitute is hired. Mr. Levy asked whether the School Department has a preference on which funding source to use – either salary savings or circuit breaker funds – when filling vacancies that occur throughout the year and either funding source would be appropriate.. Ms. Gulati stated that circuit breaker funds are applied to a block of expenses such as all tuitions. The funds are not a source that cannot be charged against like a typical spending source. The Town receives the reimbursement in quarterly amounts and then applies it to expenses. She stated that they let it carry over into the next year if the funds are not needed.

Mr. Coffman asked what the reason for the increase in enrollment and whether it was expected. Dr. Gutekanst stated that the demographer has found that home sales are continuing in Needham, something not happening everywhere, and is expected to keep increasing. Ms. Gulati stated that the projections show significant increases in enrollment at Sunita Williams School, which is already at capacity, and also at Mitchell, given the home sales activity in those neighborhoods.

Finance Committee

Ms. Mizgerd described the budget. The salary line includes an increase for the one part-time employee. The expense line includes dues for the Association for Town Finance Committees, and registration fees for conferences for staff and members, increasing slightly for inflation.

Updates

Mr. Reilly stated that he feels that the Town will need to be creative about how to build the two new schools. The discussion seems to be focused on constructing both schools as soon as possible. He wondered whether there is a way to incorporate the costs associated with the capital projects into the School Department budget in the way that most businesses have to pay for their own buildings. Ms. Coffman stated that this could provide a way to attach ownership of their expenses. Mr. Healy stated that it would likely be too complicated, and could allow for their decisions to push the Town over the debt limit. He stated that there are other mechanisms available now such as reducing the School Department request by an amount that is put into the Debt Service Stabilization Fund. Mr. Coffman stated that he is concerned that their costs will crowd out other departments' access to funds. Ms. Fachetti stated that they could stretch out the timeline of the projects to make them more affordable. Mr. Healy stated that the Town needs an agreed-upon capital plan before moving forward. Mr. Coffman stated that it will then be up to the voters whether they want to tax themselves to fund the plan.

Mr. Levy stated that he attended a meeting regarding the Foster property and that the development agreement is planned to be released in mid-February. The seller is allowing the purchase and sale to be released but it will be redacted and the price will not be shown.

Adjournment

MOVED: By Mr. Healy that the Finance Committee meeting be adjourned, there being no further business. Ms. Calton seconded the motion. The motion was approved by a vote of 6-0 at approximately 8:27 p.m.

Documents: Needham Public Schools - FY24 Superintendent's Budget Request; Presentation: Superintendent's FY24 School Operating Budget Request – Finance Committee – January 17, 2023; Chart: FY20-FY22 Circuit Breaker New Reimbursements, Carry-Forward to Next FY, and Turnback.

Respectfully submitted,

Louise Mizgerd
Staff Analyst

Approved January 25, 2023