

### **Call to Order**

Chairman Stumpf called the meeting to order at 7:00 p.m. in the Selectmen's Conference Room. In attendance were S. Jon Stumpf, Linn Anderson, Margaret (Peggy) Kruse, Eugenie (Janie) Moffitt, Joanne Marden, John Barry, Jr., Bojay Taylor, Greg Serrao and Bonnie Zahorik. Also in attendance was Donna Walsh Finance Director. The meeting was live cablecast.

Ms. Anderson noted that even though Town Hall was closed on Monday due to weather, the Town Manager and Clerk were available to post tonight's meeting in compliance with OML. In order to avoid this potential situation in the future, Mr. Stumpf agreed to have available a "generic" agenda for Christine to post on the Thursday before the following Wednesday's meeting.

### **Approval of Minutes January 27, 2016**

Upon motion duly made by Ms. Moffitt and seconded by Ms. Kruse, it was voted to approve the above minutes as amended. Motion passed 7-0-1 with Mr. Serrao abstaining.

### **Approval of Triboard Minutes December 9, 2015**

Upon motion duly made by Ms. Moffitt and seconded by Ms. Kruse, it was voted to approve the above minutes as amended. Motion passed 7-0-1 with Ms. Anderson abstaining.

### **Update on Chairs' Weekly Meetings**

Mr. Stumpf updated the Committee on the weekly meetings:

- a) Mr. Stumpf displayed the School Superintendent's marked-up budget (see attached);
- b) He noted of the approx. \$4.2M increase, \$2.4M was earmarked for contractual obligations; \$400K for out-of- district; \$950K for 15 new FTE; and \$250K all other;
- c) Mr. Stumpf then displayed the chart comparing the Town Manager's FY17 CIP Request and his Recommended Budget (see attached);
- d) He noted that the \$900K from excess levy capacity had been moved to CIP Article 5 for design services of the new town yard; the use of a five-year average for new growth rather than the three-year; more funds appropriated to retirement, health insurance (part of total compensation); and general fund debt.

Discussion ensued with regard to the importance of a communication vehicle in which to educate the taxpayers on the amounts being requested and why, i.e. \$6M "more dollars" is being requested this year for compensation related costs. Mr. Serrao suggested that the Finance Committee book contain comparison changes on fixed costs between FY16 and FY17. Mr. Serrao agreed to take care of updating this information as the budget process develops up to publishing of the FC Report.

**Meeting Dates**

Mr. Stumpf reviewed the remaining dates for meetings:

February 24	Fincomm
February 27	Joint
March 7	Joint
March 9	Triboard
March 14	Joint
March 16	Fincomm
March 21	Joint
March 23	Fincomm
March 28	Joint
April 4	Joint
April 13	Fincomm
April 27	Fincomm

Ms. Moffit will finalize the above meeting schedule and forward to members.

Ms. Walsh also pointed out that the Facilities Study was being publicly presented at the Cormier Youth Center on February 24<sup>th</sup>. Mr. Stumpf asked Ms. Walsh to get more information on the format of the evening in order that the Committee may decide whether or not to attend that meeting instead of its usually scheduled Fincomm meeting.

**Fiscal Year 2017 Budget****School Department Operations**

Mr. Stumpf noted that the School will make its budget presentation on March 9<sup>th</sup> and appear before the Finance Committee on March 16<sup>th</sup>. Ms. Kruse asked that members be given a copy of the preliminary budget book the Friday before the Triboard presentation. Mr. Serrao added the book was currently a work in process. The Superintendent has agreed to “build a bridge” for every 900 account, i.e. starting from the FY16 budget, minus those aging out, transferring or graduating students, plus inflation in tuition to get to the F Y17 number. In this way, questions can be “headed off.”

*Liaison Update* – Mr. Serrao then began his update. FY16 sped budget was \$5.8M, and at the end of the first quarter annual costs were estimated at \$5.814M, but the projected estimate went down slightly in second quarter to \$5.779M. Number of students has been increasing overall from first quarter of 78 to present at 94. He added that there are some big moving pieces so next year’s out-of-district budget is expected to see a dramatic increase of \$900K, \$400K of which is to come from appropriations and the rest from circuit breaker funds. Mr. Serrao was pleased with the detailed level of information available to him and Ms. Moffit. Of real concern is the continuing trend of out-of-district costs “ballooning up” from \$5.7M to \$6.6M. Circuit breaker reserve funds have held at \$1.2M for the last three years, but these funds will be needed in greater amounts going forward and this is clearly an issue that needs to be addressed.

Mr. Stumpf noted that a special education reserve fund had been created within the circuit breaker fund and is intended to cover costs within one-year reimbursement lag. In this way regular education is not impacted negatively. He also explained that the foundation level is \$38K which is subtracted from the full amount expended and this amount is reimbursed “up to” 75%. If the student costs less than the foundation of \$38K, there is no circuit breaker reimbursement. Mr. Serrao will ask Superintendent for more detailed historical information in order to more adequately assess a “best estimate” of variable “unpredictable” costs.

Mr. Blumstein, School Committee member, added that assessments of programs are now ongoing in order to bring more students in-district. Discussion ensued on the pros and cons of that effort and its impact on the budget, i.e. no circuit breaker reimbursement, additional FTE's needed, overhead costs, etc. and balancing the need for both in and out of district. Mr. Taylor noted that Andover and North Andover share in-district services at the high school level.

Mr. Serrao continued that based on actual results through the second quarter, the school is estimating an annual deficit of \$148K, but he was assured by Mr. Szymanski that no supplemental dollars would be requested. He also reported that there was no increase in FTE's since the first quarter. He noted that Town Meeting had approved 865.77 and by the end of FY16 the number was 868.93. First quarter saw a rise in FTE's of 872.91.

Ms. Moffitt added one of the drivers for the increase in the FY17 budget was the change in the high school schedule, initially requiring additional FTE's. Teacher development and more textbooks were the other drivers. Mr. Blumstein noted that the total cost for textbooks is \$335K, all but \$52K is coming from present FY16 CIP money (sch3), and the other \$52K will be part of the FY17 CIP. Ms. Kruse noted that the request had been made to separate Sch3 (textbooks) from Sch1 and Sch2, but Mr. Stumpf noted that change would not take place this year.

Mr. Blumstein noted three categories in the budget: of highest priority was the need for 5.3FTE's at the elementary level due to increased enrollment; sped compliance requiring 3.9 FTE's amongst the schools; change in high school schedule requiring 5.69 additional for a total of 14.89 FTE's.

He noted that by using existing teachers designated as the "OM team," the math program would not require additional FTE's as well as English language learners being incorporated under the world language program. This accounts for a decrease from 23.29 to 13.89 requested FTE's.

Ms. Zahorik asked Mr. Blumstein for a list of elementary classes without kindergarten numbers.

Ms. Moffitt reported that telephone previously under line item 412, building operations, would now be consolidated under IT and shows a small decrease of 0.2%.

#### **Other Post Employment Benefits (OPEB)**

Mr. Stumpf noted that page v. of the TM Recommended budget laid out the plan for funding OPEB. He also noted that the OPEB Advisory Committee report was due March 31<sup>st</sup>. He had received a 42-page report written by Selectman Landry and agreed he would circulate amongst the Committee members.

Mr. Stumpf asked Ms. Anderson to summarize the Town Manager's proposed change in slowing the pace of OPEB funding:

- a) Instead of 25% of free cash, fund on percentage of general fund revenues;
- b) This amounts to an approx. \$1M decrease from last year's funding;
- c) Funding to minimum to retain bond rating highlights real issue of need for state legislative action;
- d) Funding to maximum negatively impacts operational budget;
- e) Fully fund pension first and then address OPEB.

Discussion ensued on a) the need for reform; b) the need for the Committee to hear from "experts" in the field, i.e. actuaries, counsel etc.; c) phase-in concept to pay normal costs each year (amount employee working this year are earning for future obligations); and d) the need for continued dialogue.

Ms. Walsh noted that the Town Manager's funding strategy would continue to be developed over time.

**Self-funded Health Plan Update**

Ms. Walsh reported she had just received numbers for December and there were six stop loss claims. Although we are currently \$766K over budget, a portion of it is attributable to open large claims.

**Liaison Updates**

*Library* – Ms. Zahorik reported that overtime charges are not included in the personnel line item. FTE part-time resources are coming down and full-time going up with a net 0 FTE change, with no new benefitted employees. The balcony project is expected to be completed by spring with no change to overall costs. The pergola needs to be up before a cover can be measured and installed.

**Next Meeting**

February 24 pending decision on attendance at Facilities Study presentation.

**Adjournment**

Upon motion duly made by Mr. Serrao and seconded by Ms. Anderson, it was unanimously voted to adjourn. Motion passed 8-0.

Meeting adjourned at 8:55 p.m.

Respectfully submitted,

Christine Martin Barraford  
Recording Secretary

*Attachments:*

*Superintendent's Marked-up Budget*  
*Chart of Comparison/CIP/TM Budget*