

Financial Planning Committee
Minutes of November 15, 2018 Meeting – DRAFT

Members present:

Amy Mistrot, Board of Selectmen
Patrick Hayes, Finance Committee
Jonathan Freedman, Board of Selectmen
Melissa Malone, Town Administrator

Lisa Tabenkin, School Committee
Cathi Collins, Finance Committee
Dr. Anna Nolin, Superintendent

Julie McDonough, School Committee, participated via phone due to geographic distance. She joined the meeting at 5:40 pm and left at 6:00 pm. Since no votes were taken during this period, there was no need for any roll-call votes beyond the unanimous roll-call vote when Ms. McDonough joined the meeting.

Other staff present:

Bill Chenard, Deputy TA for Operations
Sean O'Brien, Finance Department

John Townsend, Deputy TA/ Finance Director

Ms. Mistrot called the meeting to order at 5:35 pm

AGENDA ITEMS APPEAR IN ALL CAPITAL LETTERS

PUBLIC SPEAK – No one sought the floor.

APPROVAL OF 7/30/18 MINUTES - approved unanimously (Mr. Freedman, Ms. Tabenkin, 7-0-0).

INDIRECT COST AGREEMENT UPDATE (SIGNED!!) – Ms. Mistrot reported that two copies of the indirect cost allocation agreement between the Town and the Schools have been signed but as neither could be located at this time, copies could not be provided to the Committee at this time. Ms. Mistrot stated she would ask Peter Gray, NPS Director of Finance if he had a signed agreement and if so request that he provide electronic copies to members. If neither signed copy of the Agreement can be located, Ms. Mistrot assured the Committee that the Agreement would be signed again and copies would be provided to members.

REVIEW FY20 BUDGET PROJECTIONS AND TARGETS - The Committee received a presentation by Mr. Townsend and Mr. O'Brien entitled "Financial Planning Committee – Budget Overview" (attached).

The Committee reviewed, discussed and asked questions about the presentation but recognized that the numbers were very preliminary:

- A review of the preliminary FY20 revenue assumptions and total preliminary FY20 projected revenues of \$165,516,352.
- Marginal revenue, based on a level funded budget, is projected at \$1,083,587.
- The General Government would see \$433,435 in increased revenue (a 1.2% increase from FY19) and the Schools would see an additional \$650,152 (a 1.0% increase). This division of marginal revenue is based on a "60/40 split."
- Ms. Collins pointed out that the split was originally calculated around 2007 or 2008 based on employee headcount. It was not developed as a way to divide marginal revenue but rather as a way to allocate the budget cuts each "side" would have to make if the scheduled override failed. She questioned whether it is still a legitimate approach for the FY20 budget development.

- The balances of the stabilization accounts from FY16 – FY19 were reviewed. Ms. Malone stated that she believes it is imperative to continue to build, or at least maintain the balances in each account.
- The Retirement Board will receive a new actuarial report in FY21 (every 2 years) and the Town will receive a new actuarial report for OPEB in FY20 (every 3 years).
- The preliminary expense budget of \$164,431,765 represents a level funded budget except for expected increases in the Shared Services budget for estimated increases in Fringe Benefits (10%), Retirement (12%) and Debt Service (7.2%).
- The increase in the debt services budget is driven by the debt exclusion borrowing for Kennedy Middle School and (Fire) Station #4. This is offset by an increase in the tax levy but firm numbers won't be available until the actual debt issuance in December 2018.
- The preliminary expense budget did not include any increases in other budgets for mandatory (i.e., contractual) increases including things such as steps & lanes, COLA's, adjustments needed to achieve Pay Equity, or increased utility/energy costs.
- Mr. Chenard pointed out that until now, recycling has been a source of revenue (i.e., the recycling company paid the Town) but because China will no longer accept these materials it will become a large expense for the Town beginning in FY20.
- Dr. Nolin informed the Committee that Framingham has pulled out of the ACCEPT Collaborative and thus Natick's share of the expenses will increase by an unknown amount. Further, there is a fuel escalation clause in the Connolly Bus contract and it is expected that Natick will need an additional bus in FY20.
- NPS would need to cut approximately \$1.45 MM in a level-funded budget scenario and still meet its contractual salary increases and escalation clauses in existing contracts. This number does not account for expected increases beyond existing steps & lanes, transportation and utilities.
- In response to a member's question, Ms. Malone stated that the increased recycling tipping fees could not be absorbed at either the division (Highway & Sanitation) or department (DPW) level in a level-funded scenario because the expense is too large and would likely be trued up at the total omnibus budget level. She would expect that other increases, however, would need to be offset by budget cuts within the effected department.
- Ms. Malone's goal for the FY20 budget is "net level-funded department budgets."

REVIEW FY20 REVISED BUDGET TIMELINES - Budget review meetings with department heads are scheduled to begin on November 19, 2018. Capital lists are due November 16, 2018

DETERMINE NEXT MEETING DELIVERABLES – The Town Administrator and the Superintendent will continue to revise and fine-tune their respective budgets.

SET NEXT MEETING DATES - The next meeting of the FPC will be on December 11, 2018 at 5:30 PM.

REVIEW ANTICIPATED BUDGET IMPACT OF COMBINING THE KMS AND WNFS PROJECTS INTO A SINGLE BOND ISSUANCE – Not discussed due to time constraints and will be included on the agenda for December 11th meeting.

MEMBER CONCERNS – Deferred to future meeting due to time constraints.

At 6:34 pm a motion to adjourn was made by Ms. Collins, seconded by Dr. Nolin (7-0-0).