

JOINT FINANCE COMMITTEE AND BOARD OF SELECTMEN MEETING

November 12, 2014

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Meeting Date: November 12, 2014

Called to Order: 6:00 PM

Location: 1 Avenue A, Turners Falls MA

Finance Committee Members Present: John Hanold, Michael Naughton, Lisa Adams, Lynn Reynolds and Sharon Kennaugh. Greg Garrison was absent.

Selectmen Present: Mark Fairbrother and Michael Nelson. Christopher Boutwell was absent.

Others Present:

From Montague: Town Administrator Frank Abbondanzio, Town Accountant Carolyn Olsen

From the Gill-Montague Regional School District (GMRSD): Superintendent Michael Sullivan, Director of Business and Operations Joanne Blier, School Committee Chair Joyce Phillips

From Gill: Administrative Assistant Ray Purington, Selectmen Randy Crochier (Chair) and Greg Snedeker, Finance Committee Chair Valeria (Timmie) Smith

Others: Paul Nowill and Jeanne Golrick

Minutes

Finance Committee Moved:

To approve the minutes of October 8, 2014.

Vote: 5 In Favor 0 Opposed 0 Abstained

Selectmen Moved:

To approve the minutes of October 8, 2014.

Vote: 2 In Favor 0 Opposed 0 Abstained

GMRSD Excess & Deficiency Fund

- The District's Excess & Deficiency (E&D) is roughly comparable to a town's Free Cash. It is the available amount cumulative surplus of revenues and expenditures as certified by the state on an annual basis.
- The District is allowed to retain an E & D fund of up to 5% of the operating budget. If E & D is certified above that limit, the excess must be returned to member towns. The Fiscal Year 2014 E & D balance was above the limit, and Montague received \$213,039 as their share of the excess. This raised questions as to why the District had such a large E & D fund. Mr. Sullivan explained that the large balance as of July 1, 2013 was due to poor budget planning and management, and stated that it was unlikely that an excess balance of this magnitude would occur again.
- Mr. Hanold asked how they use their E & D and what they project for the next year. E & D is primarily used as a revenue source for the following budget year to reduce the town assessments. It can also be used for emergency situations, such as a boiler replacement at the High School (because that building is owned by the District rather than the Town) or an unusually high-cost student moving into the district. This use has to be approved by the town, but this use of E & D has not been requested in institutional memory.
- Mr. Sullivan noted that the Fiscal Year 2015 budget increased the use of E & D by \$150,000, but still required a reduction of 9.7 positions at a savings of \$341,350 to meet the Affordable Assessment.

GMRSD Preliminary Non-Assessment Revenue Forecast for Fiscal Year 2016

- The District received an unanticipated \$80,000 increase in transportation aid in Fiscal Year 2015. This puts the reimbursement rate in the high 80% range, but this is not expected to continue, and the forecast for Fiscal Year 2016 is 75% of the budgeted Fiscal Year 2015 expenses. While the transportation aid increased for Fiscal Year 2015, the expenses also increase about \$79,000.
- Chapter 70 Aid is expected to increase by \$25 per student, as it has in recent years. No notable changes in student enrollment figures are expected, and the total increase is estimated at \$26,750.
- Medicaid reimbursement revenue is expected to increase by about \$67,000.
- Erving tuition is expected to increase by \$180,000.
- Transportation reimbursement is expected to increase by \$137,000.
- The Fiscal Year 2015 E & D has not yet been certified by the state, but the very preliminary estimate is for the use of \$400,000 towards the Fiscal Year 2016 budget, an increase of \$30,000.

Other Factors in the District Budget

- While the operating budget has increased \$1,000,000 or 6.6% from Fiscal Year 2012 to Fiscal Year 2014, the net expense for School Choice and Charter Schools was approximately \$600,000 or 74%. Increases in other fixed costs (utilities, transportation, wages and benefits) over the same period increased over \$1,550,000 or 12.1%, leaving a net loss of over \$1 million or -38.3% available for other expenses.
- The net loss of students to Charter Schools and School Choice has increased by over 60 students in that same time period. The District has requested and received information on why students have left the District, and is using that information to try and keep students in the district. The District has many programs in place to attract and retain students.
- The Circuit Breaker Revolving Fund is used to offset expenses for high-cost special needs students. The state provides reimbursement for expenses in excess of four times the average per-pupil costs. This reimbursement runs a year behind. The District can use this fund to offset these expenses, but has limits as to how much can be used. The big variable is that a lot of out of district students have come back to the district, which lowers the cost as well as subsequent reimbursements. This fund's balance has dropped significantly over the last two years, and the lack of available funds here will negatively impact the operation budget, as it will have to budget for more of these expenses.

Fiscal Year 2016 Budget Process

- The District has a schedule that will be provided electronically, but the statutory deadlines remain. These include having a preliminary budget by January 31, and a final approved budget at least 60 days prior to the Town's annual town meeting.
- Mr. Sullivan noted that the District's principals have already submitted their preliminary requests.
- The Town expects to meet with the District in March for a full budget and assessment discussion. The last Affordable Assessment amount will be made available by March 2, 2015 to meet the District's final deadline.

Preliminary Affordable Assessment Calculation

Ms. Olsen provided some very preliminary town revenue estimates that create the preliminary Affordable Assessment amount. Items to note include:

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- The preliminary Affordable Assessment of \$8,501,227 is a 2.51% increase over the Fiscal Year 2015 assessment.
- The town has a case before the Appellate Tax Board, and is once again setting aside \$400,000 as the Allowance for Abatements and Exemptions. The outcome will not be known until after the Fiscal Year 2016 budget process. If the Town prevails, a significant amount of the Allowance for both Fiscal Years 2015 and 2016 will likely be released during Fiscal Year 2016. After release, these funds are available for appropriation, and if not appropriated, will flow into the Free Cash to be certified as of July 1, 2016. If the Town does NOT prevail, there will be a significant additional amount to be raised.
- State Aid is assumed to be level funded, but it is very possible that there will be cuts in State Aid for Fiscal Year 2016.
- After December 2015, the Town will no longer be eligible to receive Medicare reimbursements through the Hampshire County Group Insurance Trust. This reduces the estimated local receipts by \$40,000.

Next Meeting- November 19, 2015

Items not anticipated within 48 hours-None

Meeting Adjourned at 7:30 PM

List of Documents and Exhibits

- Minutes October 8, 2014
- Preliminary Town Revenue Forecast and Affordable Assessment
- 3 Handouts from the GMRSD