

TOWN OF GROTON FINANCE COMMITTEE

Wednesday, September 13th, 2017: 7:00 p.m.

GDRHS Library

703 Chicopee ROW, Groton, MA

Meeting Jointly with GDRSD School Committee, Groton BOS, Dunstable BOS, Dunstable Advisory Board

Present for Finance Committee: D. Manugian, G. Green (Chair), B. Robertson (Vice Chair), L. Leonard, J. Sjoberg, S. Whitefield

Absent: A. Prest

Documents available at the meeting: Joint Summit Meeting Slide Presentation

The Finance Committee called their meeting to order at 7:00 p.m.

Ms. Gilbert (School Committee Chair) summarized the agenda and goals of the meeting. She would like these discussions to foster open and respectful communication among the peer boards that will result in funding that will meet school needs without destabilizing the member Towns' finances.

She noted that both Groton and Dunstable have revenues and resources (tax base, average tax bill, median household income) that are similar, although the number of residents and households is divergent. Dunstable's tax rate is lower than that of Groton, while there is evidence to suggest that property values are higher in Dunstable than in Groton. In both towns, more than 60% of households earn more than \$100,000 annually.

Mr. Knight (GDRSD Business Manager) presented the financial projections for the District (FY18 through FY22). He explained that the programmatic audits are currently still in process, but are expected to be completed by December. The main budget drivers for FY19 (as in all years) are wages/salaries and insurance. Additionally, the District anticipates losing revenue for Title 1, Foreign Exchange Students, and Circuit Breaker, while the MCRS assessment is expected to increase approximately 16% (or \$138,000). This will result in a projected operational budget increase of 5.34% for FY19.

The District's Capital and Technology Plans have been updated and Mr. Knight stressed the integral nature of technology to teaching in our society (the district network supports approximately 3,400 devices in any given week). Utilization of the rolling 5-year enrollment average in calculating the Towns' assessments shows an FY19 preliminary result of 76.77% for Groton and 23.23% for Dunstable (as compared to 77.12% and 22.88% respectively in FY18). Mr. Knight took some time to review the Foundation Budget and Minimum Local Contribution calculations for the group.

Mr. Green explained that the Groton FinCom and BOS will meet on September 25th for the purpose of providing budget guidance to the Town Manager for FY19. Mr. Robertson said that it is now understood that flat state aid to the District causes the assessment to the member towns to look higher than actual

spending. Keeping that in mind, he said that sustainable spending of 2.6% would result in an assessment of 3.8% to Groton. Therefore the 5% increase in spending detailed in this presentation would yield an 8% assessment to Groton, which is problematic. Mr. Pease wondered if assuming relatively equal spending for the two entities was the correct model. Ms. Gilbert noted that additional information may become available once the programmatic audits have been analyzed for both entities.

Ms. Muir (Dunstable Advisory Board Chair) expressed her appreciation of all the participating boards in this effort to work together. She said that Dunstable's five year financial projections are tentative at this time. She is assuming a 2 ½% increase across the board with the exception of the school assessment and health insurance, which are estimated to increase by 5%. If State Aid remains flat, Dunstable will likely be looking at a deficit. She was especially concerned about infrastructure needs for public safety and the water departments. The goal is to find an equilibrium that balances the budget without starving the municipal departments. Mr. Alterisio (Dunstable Selectman) expressed frustration over the constraints of Proposition 2 ½ and Education Reform Act of 1993. He stated that Groton has greater financial resources to meet budgetary challenges than does Dunstable.

The School Committee said it is requesting authorization to start a Capital Stabilization Fund that will provide regular sustained funding options to support the District's investment in its buildings and facilities. They feel that this is likely to be supported by the member towns now that the District has an approved Capital and Technology Plan. This Fund can accumulate E&D that can in turn be used to offset capital costs. Alternatively, each Town can establish its own GDRSD Capital Stabilization Fund; this will allow Town Meeting to retain control over allocation, while still giving the District access to funding for capital needs. This kind of CapStab Fund will not preclude any other type of funding that the Towns may prefer (free cash, taxation, debt exclusion, etc.), but merely provides an option. Mr. Green noted that while this will not address the growth problem, it may help smooth out assessment spikes in any given year. Ms. Leonard felt that this additional Stabilization Fund may be redundant as they all work the same way (they are funded from Free Cash and require a super-majority at Town Meeting for appropriations). Mr. Green replied that this would be a good topic to discuss at the public hearing on 9/18.

Dr. Chesson (GDRSD Superintendent) informed the group that the MSBA is still performing due diligence on Groton's application for Florence Roche. The Town should know if it qualifies to move on to the feasibility stage by December. Ms. Gilbert said that the School Committee will be providing FY19 budget guidance to the Superintendent on September 20th. She hopes that all the boards present will take a look at the audit drafts once they are available, but cautioned that she doesn't expect any recommendations that will lead to enormous monetary savings. Also, any programmatic changes that are recommended would be made the subject of community forums prior to implementation.

Mr. Green officially adjourned the meeting at 8:35 p.m.

Respectfully submitted,

Patricia Dufresne, Recording Secretary

JOINT MEETING



Dunstable BOS, Dunstable Advisory, Groton BOS, Groton
FinCom, and GDRSD

Our Common Interest:

All parties would like to move towards a more planned, predictable, sustainable approach to budgeting

Agenda:

- Summary of Goal & Agenda
- Resources and Revenue Discussion/Presentation
- Current Financial Projections
- GDRSD
 - Groton
 - Dunstable
- Explore establishing GDRSD Budget Growth Rates
- Update on GDRSD Programmatic Audits
- Review proposed approach for establishing Capital Stabilization Fund

DUNSTABLE & GROTON



Resources and Revenue:
Two unique towns that have much in common.

TAX BASE

	Groton	Dunstable
2017 Tax Rate (per \$1000)	18.26	17.02
% Residential	94.16%	96.84%
% Commercial	3.64%	0.95%
% Industrial	0.85%	0.62%
% Personal	1.35%	1.59%

Source: Division of Local Services Bureau of Accounts 2017

Slide 5

A4 What does this mean?

Administrator, 9/8/2017

Jacob Gilbert, 9/8/2017

JG2

HOME VALUES & AVERAGE PROPERTY TAX BILL

	Groton	Dunstable
3 rd Qtr Median Home Sale Price	\$485,000	\$527,500
2017 Average Tax Bill	\$7,822	\$7,144
# Residential Parcels	4205	1203

Sources:

Division of Local Services

MLS Property Information Network Inc.

“AFFLUENCE”

	Groton	Dunstable
Median Household Income	\$116,642	\$118,523
Mean Household Income	\$139,780	\$139,285
% Residents with Income		
\$100,000 to \$149,999	26.1%	26.2%
\$150,000 to \$199,999	16.6%	17.2%
\$200,000 or more	23.5%	18.5%
Total % Residents \$100,00 or more	66.2%	61.9%

Sources:

Division of Local Services

MLS Property Information Network Inc.

FINANCIAL PROJECTIONS



Director of Business & Finance – Michael Knight
Superintendent – Dr. Laura Chesson

GDRSD Programmatic Audit

- Audits to be completed by end of year will:
 - Enable better understanding of potential efficiencies, deficiencies, and future budget priorities.
 - More accurately forecast operating budget growth %

Budget Growth Rates:

- Explore the idea of setting a budget growth rates that would:
 - Allow the District to support the needs of all students
 - Allow both towns to achieve sustainability

Operating Budget Growth:

	Percent of Total Budget	Growth Rate
Salaries	56%	3.25%
Insurance and Benefits	18%	8.50%
Tuitions	4%	3.50%
Other Expenses	13%	2.00%
Growth in total budget based on operating budget growth		3.744%

- Salary growth rate calculated based on current and historical contracted growth rates.
- Insurance and benefits growth based on 8 year historical averages
- Tuition growth based on historical increases not adding additional students

Operating Costs FY18-FY22:

Operating Costs	FY 18	FY 18 Groton	FY 18 Dunstable	FY 19	FY 19 Groton	FY 19 Dunstable	FY 20	FY 20 Groton	FY 20 Dunstable
Wages	\$ 22,251,871	\$ 17,160,643	\$ 5,091,228	\$ 23,177,088	\$ 17,793,050	\$ 5,384,038	\$ 23,930,343	\$ 18,371,325	\$ 5,559,019
Insurance & Benefits	\$ 6,900,551	\$ 5,321,705	\$ 1,578,846	\$ 7,625,098	\$ 5,853,788	\$ 1,771,310	\$ 8,273,231	\$ 6,351,360	\$ 1,921,872
Other	\$ 5,232,022	\$ 4,034,935	\$ 1,197,087	\$ 5,352,182	\$ 4,108,870	\$ 1,243,312	\$ 5,459,226	\$ 4,191,048	\$ 1,268,178
Tuition	\$ 1,768,647	\$ 1,363,981	\$ 404,666	\$ 1,930,550	\$ 1,482,083	\$ 448,467	\$ 1,998,119	\$ 1,533,956	\$ 464,163
Operating Budget	\$ 36,153,091		\$ 38,084,918		\$ 39,660,920				
% Operating Increase				5.34%		4.14%			
	FY 21	FY 21 Groton	FY 21 Dunstable	FY 22	FY 22 Groton	FY 22 Dunstable			
	\$ 24,708,080	\$ 18,968,393	\$ 5,739,687	\$ 25,511,092	\$ 19,584,865	\$ 5,926,227			
	\$ 8,976,456	\$ 6,891,225	\$ 2,085,231	\$ 9,739,455	\$ 7,476,979	\$ 2,262,475			
	\$ 5,568,411	\$ 4,274,869	\$ 1,293,542	\$ 5,679,779	\$ 4,360,366	\$ 1,319,413			
	\$ 2,068,053	\$ 1,587,644	\$ 480,409	\$ 2,140,435	\$ 1,643,212	\$ 497,223			
	\$ 41,320,999		\$ 43,070,760						
				4.19%	4.23%				

- FY19 Includes cost increases due to the cut of Title 1, reduction in foreign exchange revenue, reduction in circuit breaker revenue, and increase to Middlesex assessment.



Capital/Tech Costs FY18-FY22:

- Cost to each town is based on 8/31/2017 enrollment and trailing 4 year population at each building as of October 1.
- FY18 built in costs of capital items over \$5,000 that were not called out as capital during that budget process for uniform reporting across all years.

	FY 18 Groton	FY 18 Dunstable	FY 18 FY 19 Groton	FY 19 Dunstable	FY 19 Groton	FY 20 Groton	FY 20 Dunstable	FY 21 Groton	FY 21 Dunstable	FY 22 Groton	FY 22 Dunstable
Capital Costs	\$ 301,000	\$ 260,830	\$ 40,170	\$ 802,000	\$ 576,341	\$ 225,659	\$ 446,000	\$ 332,395	\$ 113,605	\$ 350,000	\$ 264,955
Capital Tech Costs	\$ 125,190	\$ 96,547	\$ 28,643	\$ 254,615	\$ 196,021	\$ 58,594	\$ 143,265	\$ 109,873	\$ 33,392	\$ 97,200	\$ 74,545

Technology Internet Project at a Glance:

- 5 years ago we had 750 devices supported on the network, today we have 2,150 as well as supporting a BYOD initiative so on any given week we support 3,400 devices.

- Process for cost estimates is using the bid prices from last year. E-rate posts all bid nationally and we had 7 vendors submit bids.
- Wireless Access Points: \$127,075 - \$575/ea x 221
- Fiber/rewiring: \$106,270
- Switches: \$153,000 - \$3,400/ea x 45
- Phone Install and Registration: \$63,655
- Of the cost \$170,000 is available in E-rate rebates on the project and can be used to lower future capital costs.



Assessment Change to 5 Year Rolling Average of Foundation Enrollment:

- Assessment % in FY 18 Budget based on current year enrollment
 - Groton: 77.12% Dunstable: 22.88%
 - The 5 year average of foundation enrollment as of the most recent DESE publication 01/25/2017
 - Groton: 76.77% Dunstable: 23.23%

Minimum Local Contribution Changes:

- Minimum Local Contribution is calculated by adding the income effort and property effort.
 - Income Effort = Total town income x state determined effort %
 - Property Effort = Town equalized property valuation x state determined property effort %
 - Changes in the minimum local contribution will directly impact the assessment to either town.

MLC By Year	Groton	Dunstable
2018	\$ 14,319,379.00	\$ 4,221,457.00
2017	\$ 14,293,528.00	\$ 4,081,585.00
2016	\$ 15,120,202.00	\$ 4,168,398.00
2015	\$ 14,739,440.00	\$ 4,088,752.00
2014	\$ 14,450,223.00	\$ 3,872,055.00

CAPITAL STABILIZATION FUND



Ryan McLane and Jennifer McKenzie
Dunstable SC Representatives

Why Establish a Capital Stabilization Fund?

- We now have an approved Capital Plan
- Regular, sustained funding of capital costs protects the town's investment in our school buildings and facilities
- Important step forward in financial planning and protecting the town from financial instability

Previously Proposed Option:

- District Capital Stabilization Fund
 - Both towns must approve creation of district fund by Town Meeting vote (approved by Groton in 2015)
 - Fund allocations by SC vote
 - Annual contributions to the fund is included in the town assessments.

Alternative Option:

- Each town establishes their own fund for school capital expenses
- Each town independently decides how much to contribute to fund each year
- Funds in account allocated by Town Meeting vote in each town
- District provides capital amount as budget line item
- Each town determines how capital expenses will be funded.
 - Funds from stabilization, debt exclusion, free cash, combination.

Advantages of Individual Town Fund:

- Allows town-level control of contributions/withdrawals to and from the fund by town meeting vote
- Does not preclude use of any alternative funding mechanisms
- If both towns establish individual funds, district can create its own stabilization account for any future excess E&D
- Allows district to contribute future excess E&D to offset capital costs

DISCUSSION & NEXT STEPS

