



TOWN OF GROTON
173 Main Street
Groton, MA 01450

Sustainable Budget Study Committee
Kevin Forsmo, Chairman
Mark Haddad
Jack Petropoulos
Bud Robertson
Art Prest
Patricia DuFresne
Michael Hartnett
Kevin Brogan
Alison Manugian

MEETING MINUTES

Date: Thursday, June 2, 2016
Time: 7:00 AM
Location: 1st Floor Meeting Room, Town Hall
Members Present: Bud Robertson, Art Prest, Patricia DuFresne, Jack Petropoulos, Michael Hartnett, Kevin Forsmo, Kevin Brogan, Alison Manugian, Mark Haddad
Absent Members:
Others Present: Robin Eibye

Chairman, Kevin Forsmo called the meeting to order at 7:06 a.m. The agenda was reviewed.

SCHOOL BUDGET DISCUSSION

REVENUE

School Committee member, Alison Manugian explained that the revenue side of the school budget consists of state grant funding that is subject to appropriation and there is no guarantee that the funds will be available from year to year. Ms. Manugian made note that \$263,000 of the state grant funding is directly related to salaries. She went on to state that enterprise and revolving funds are allowed to carry a balance from year to year. Mr. Haddad asked how much of the overall operating budget is funded by grants. Ms. Manugian said that 7% of the overall operating budget is from grants. Revolving account salaries were reviewed.

A discussion ensued about flat state aid. Ms. Manugian said Chapter 70 is fairly flat and fluctuates according to student enrollment. Mr. Haddad inquired about Chapter 71, which states that regional school districts are obliged to provide transportation for all school children in grades K-12. Ms. Manugian made note that the district is mandated to have an available seat everyday on a bus for each child within the district. The Committee also discussed that although Chapter 71 states that the commonwealth shall reimburse such districts to the full extent of the amounts expended for such transportation, the district is not reimbursed to the full extent.

SPENDING

Ms. Manugian said that 60% of the district's general fund budget consists of salaries, and contractually these grow about 3% a year due to COLA and a change in steps and lanes. Ms. Manugian confirmed that the district's assessment is based on student enrollment.

Mr. Forsmo asked how long contract negotiations generally take to complete. Ms. Manugian replied that generally speaking it should take about one year; however, the last negotiation required state mediation and took two years to complete. Mr. Forsmo asked who is responsible for negotiating the contracts. Ms. Manugian confirmed that the contract is negotiated between the union and the school committee. Mr. Petropoulos asked if, historically, the district has had 50% of the staff within higher "Steps". Ms. Manugian confirmed yes, and noted that steps are

based on completed years of service. Mr. Brogan asked if it is true that teachers are given two incentives each year, the first being due to steps and lanes and the second being the contractual COLA incentive. A discussion ensued about steps and lanes and union contracts.

The Committee discussed GIC – Group Insurance Commission and how the GIS allowed more controlled costs. Ms. Manugian noted that because health insurance and salaries are separate contracts, discussions do not take place at the same time and ultimately cannot be negotiated at the same time. It was determined that health insurance is not bargainable within individual contracts. Ms. Manugian said 14% of the district’s general budget is insurance, which has grown in recent years by about 9% annually.

Mr. Robertson asked Ms. Manugian if there are plans to form a committee to work on future budgets. A discussion ensued about the logistics and timing of union contract negotiations.

FIXED COSTS WITHIN THE BUDGET

Mr. Haddad provided each Committee member with a copy of a chart titled, Town of Groton Fixed Cost Study FY2011 through FY2017. The chart illustrates the last five years of actual expenditures and the FY 2016 appropriation. In addition, it provides a five year average of these expenses.

Mr. Haddad stated that Fixed Costs is defined as Costs which do not vary with change in the volume or scale of activities. Fixed Costs generally constitute committed or discretionary components. The committed component of fixed costs generally arises out of an organization’s commitment for long-term activities. These are unavoidable and cannot be controlled in the short run.

Mr. Haddad went on to state that Variable Costs are costs which vary with change in volume or scale of activities. In most situations, it may not be possible to clearly classify costs as fixed or variable as they often possess qualities of both fixed and variable. The fixed component of mixed costs represents the minimum unavoidable amount of any given level or activity.

Mr. Haddad stated that when looking at the Town of Groton’s budget, it’s important to come up with a definition of fixed/variable costs that contain activities that are recurring every year based on State Law and Town Policy. While the costs may fluctuate, the Town is committed to these activities and reducing/controlling these costs would require a change in policy, state law and/or the direction of the Town. Under this definition, the following line items would fall into the fixed costs category: Annual Audit, Town Counsel, Elections, Insurance and Bonding, Town Report, Postage and Meetings Expenses, Board of Health, Street Lights, Snow and Ice Control, Municipal Building Expenses, Solid Waste Disposal, Veteran’s Benefits, Unemployment Compensation, and Medicare/Social Security.

The Committee reviewed the Town of Groton Fixed Cost Study FY 2011 through FY 2017 chart provided by Mr. Haddad. Mr. Robertson said he would like to pull out and place expenses that fluctuate in a separate category to allow a better understanding.

Mr. Forsmo asked why the five year average is of absolute dollars and not percentages. Mr. Forsmo said he wondered if the proposal adequately reflects the sustainability or grown elements. Mr. Robertson said he felt it is a good model to work with; however, he would like to see two additional columns added, one titled Eliminate and the other titled Reduce.

COMMITTEE PRESENTATION FOR BOARD OF SELECTMEN MEETING

Mr. Haddad asked the Committee to confirm what will be presented at the Board of Selectmen meeting on Monday, June 6, 2016. The Committee agreed they would like confirmation from the Selectmen on their expectations of the Committee as well as their guidance on working with schools. The Committee will provide the Selectmen with a copy of the Town of Groton Fixed Cost Study chart and the charge.

After reviewing the Groton Fixed Cost Study chart again, Ms. Manugian said she felt more comfortable going back only three years vs. five years. She noted that comparing 2011 to 2017 is not a fair comparison.

Art Prest asked what the next steps would be after the committee identifies the challenges and problems with the budget. Patricia DuFresne said the next step would be to identify possible solutions and present them to the Selectmen and appropriate committees.

COMMITTEE MEETING PREPARATIONS

Kevin Brogan said he and Michael Hartnett are working to bring in a representative from the Middlesex County Retirement System. Mr. Robertson said he would like additional information on benefits. Ms. Manugian asked to be provided with an empty model that lists general expenses, etc. Art Prest requested separate models that break down salaries and wages, pensions with variables, and general expenses. Mr. Forsmo inquired as to what work would be involved with going through the budget to pull out the data and provide it to each committee member. Ms. DuFresne said once the categories are identified, she can easily build a model.

Kevin Brogan left the meeting at 8:45 a.m.

Mr. Haddad stated that a Demographic Committee was formed and is working to produce a town comparison report consisting of 10-15 towns. The report is expected to be available in a few weeks.

After reading the Committee's definition of "Sustainability", Mr. Petropoulos disagreed with the definition stating it should allow for all residents to continue living in the Town and not change the demographics of the town with the revenue growth of Proposition 2 ½. He went on to state that sustainability has nothing to do with income growth and should not include Proposition 2 ½. A discussion ensued about how the committee determined the definition of sustainability. Mr. Robertson said the definition needs to be easily understood as to not confuse town residents. Mr. Prest said he approved of the committee's definition because it is constrained.

MINUTES

Draft minutes from May 19, 2016, were reviewed.

The Committee noted two typos in paragraph three.

Mr. Haddad moved to accept the May 19, 2016, minutes as amended. Mr. Robertson seconded and the motion carried 7:0 (Jack Petropoulos, abstained; Kevin Brogan, absent).

Mr. Haddad moved to adjourn the meeting at 9:01 a.m. Mr. Prest seconded and the motion carried 8:0. (Kevin Brogan, absent).

Respectfully submitted by Robin Eibye, Executive Assistant

APPROVED: June 9, 2016

**TOWN OF GROTON
FIXED COST STUDY
FY 2011 THROUGH FY 2017**

	<u>FY 2011 EXPENDED</u>	<u>FY 2012 EXPENDED</u>	<u>FY 2013 EXPENDED</u>	<u>FY 2014 EXPENDED</u>	<u>FY 2015 EXPENDED</u>	FIVE YEAR AVERAGE	<u>FY 2016 APPROPRIATED</u>	<u>FY 2017 PROPOSED</u>
Town Accountant- Annual Audit	\$ 21,500	\$ 21,500	\$ 21,500	\$ 23,000	\$ 23,000	\$ 22,100	\$ 23,000	\$ 23,000
Town Counsel Expenses	\$ 99,253	\$ 72,146	\$ 60,765	\$ 79,633	\$ 101,333	\$ 82,626	\$ 90,000	\$ 90,000
Elections - Stipend and Expenses	\$ 17,752	\$ 15,253	\$ 21,211	\$ 16,295	\$ 18,708	\$ 17,844	\$ 17,783	\$ 22,276
Insurance and Bonding*	\$ 119,663	\$ 130,747	\$ 149,823	\$ 158,352	\$ 151,823	\$ 142,082	\$ 218,000	\$ 227,000
Town Report Expenses	\$ 1,500	\$ 1,500	\$ 1,388	\$ 1,500	\$ 1,400	\$ 1,458	\$ 1,500	\$ 1,500
Postage/Town Meeting Expenses	\$ 47,959	\$ 47,588	\$ 47,434	\$ 46,903	\$ 52,323	\$ 48,441	\$ 55,000	\$ 55,000
Board of Health - Nashoba Boards of Health	\$ 30,143	\$ 30,143	\$ 33,103	\$ 31,943	\$ 31,943	\$ 31,455	\$ 33,221	\$ 34,423
Street Light Expenses	\$ 17,800	\$ 17,800	\$ 13,350	\$ 17,800	\$ 17,800	\$ 16,910	\$ 24,000	\$ 20,000
Snow and Ice Control	\$ 484,599	\$ 339,994	\$ 438,517	\$ 561,728	\$ 659,387	\$ 496,845	\$ 340,000	\$ 340,000
Municipal Building Expenses**	\$ 215,232	\$ 229,846	\$ 229,239	\$ 235,649	\$ 283,793	\$ 238,752	\$ 280,850	\$ 267,350
Solid Waste Disposal - Tipping Fees	\$ 124,576	\$ 131,996	\$ 130,152	\$ 134,458	\$ 122,318	\$ 128,700	\$ 135,000	\$ 130,000
Veteran's Benefits	\$ 14,049	\$ 48,412	\$ 54,092	\$ 38,866	\$ 43,824	\$ 39,849	\$ 50,000	\$ 50,000
Unemployment Compensation	\$ 37,345	\$ 45,267	\$ 28,861	\$ 43,488	\$ 40,635	\$ 39,119	\$ 41,800	\$ 41,800
Medicare/Social Security	\$ 87,888	\$ 93,518	\$ 85,070	\$ 109,304	\$ 109,583	\$ 97,073	\$ 118,000	\$ 120,360
TOTAL	\$ 1,319,259	\$ 1,225,710	\$ 1,314,505	\$ 1,498,919	\$ 1,657,870	\$ 1,403,253	\$ 1,428,154	\$ 1,422,709

*Took on Country Club Insurance in FY 2016

**Took on New Fire Station in FY 2015

DEFINITION OF FIX COSTS AND VARIABLE COSTS

Fixed Costs is defined as Costs which do not vary with change in the volume or scale of activities. Fixed Costs generally constitute committed or discretionary components. The committed component of fixed costs generally arises out of an organization's commitment for long-term activities. These are unavoidable and cannot be controlled in the short run.

Variable costs are Costs which vary with change in volume or scale of activities. In most situations, it may not be possible to clearly classify costs as fixed or variable as they often possess qualities of both fixed and variable. The fixed component of mixed costs represents the minimum unavoidable amount of any given level or activity.

When looking at the Town of Groton's Budget, we have come up with a definition of Fixed/Variable costs that contain activities that are reoccurring every year based on State Law and Town Policy (not including salaries, wages, pension and health insurance). While the costs may fluctuate, the Town is committed to these activities and reducing/controlling these costs would require a change in policy, state law and/or the direction of the Town. Under this definition, the following line items would be considered fixed costs:

Town Accountant Expenses - Annual Audit
Elections – Stipend and Expenses
Town Report Expenses
Board of Health – Nashoba BOH
Snow and Ice Control
Solid Waste Disposal Tipping Fees
Unemployment Compensation

Town Counsel Expenses
Insurance and Bonding
Postage/Town Meeting Expenses
Street Light Expenses
Municipal Building Expenses
Veteran's Benefits
Medicare/Social Security

The following chart shows the last five years of actual expenditures and the FY 2016 appropriation. It will also provide a five year average of these expenses.