



Programs & Services and Finance Committee Budget Report

City of Newton In City Council

Wednesday, April 13, 2022

Finance Committee present: Councilors Grossman (Chair), Kalis, Humphrey, Malakie, Noel, Norton, Oliver

Finance Committee absent: Councilor Gentile

Programs & Services Committee present: Councilors Krintzman (Chair), Noel, Albright, Baker, Greenberg, Humphrey, Ryan, Wright

Also present: Councilors Crossley, Danberg, Laredo, Leary, Lipof, Lucas

City staff present: David Fleishman (Superintendent of Schools), Liam Hurley (Assistant Superintendent/Chief Financial and Administrative Officer of Schools), Tamika Olszewski (Chair of the School Committee), Emily Prenner (School Committee Member), Kathleen Shields (School Committee Member), Paul Levy (School Committee Member), Chris Brezski (School Committee Member), Maureen Lemieux (Chief Financial Officer), Chief Operating Officer Jonathan Yeo

DEPARTMENT BUDGET & CIP DISCUSSIONS:

School Department

Referred to Finance and Appropriate Committees

#213-22 **Submittal of the FY23 to FY27 Capital Improvement Plan**
HER HONOR THE MAYOR submitting the Fiscal Years 2023 to 2027 Capital Improvement Plan pursuant to section 5-3 of the Newton City Charter.

Referred to Finance and Appropriate Committees

#213-22(2) **Submittal of the FY23 Municipal/School Operating Budget**
HER HONOR THE MAYOR submitting in accordance with Section 5-1 of the City of Newton Charter the FY23 Municipal/School Operating Budget, passage of which shall be concurrent with the FY23-FY27 Capital Improvement Program (#213-22).
EFFECTIVE DATE OF SUBMISSION 04/19/22; LAST DATE TO PASS THE BUDGET 06/03/22

Referred to Finance and Appropriate Committees

#213-22(3) **Submittal of the FY23 – FY27 Supplemental Capital Improvement Plan**
HER HONOR THE MAYOR submitting the FY23 – FY27 Supplemental Capital Improvement Plan.

School Department

Superintendent of Schools Dr. David Fleishman presented an overview of the School Department budget for Fiscal Year 2023 as well as accomplishments from FY22. His presentation, attached, highlights the goals, plans and anticipated challenges for FY23.

Dr. Fleishman recapped accomplishments from FY22 and previous years, including full-day kindergarten, expanded math and literacy interventions, expanded student mental health support, electives and AP classes, expanded access to technology, favorable class sizes, and the strengthening of NPS's longstanding commitment to diversity, equity and inclusion.

Dr. Fleishman provided details on enrollment throughout NPS. Elementary schools are down 42 students going into FY23. Middle schools have a decrease of 39 students. At the high school level, there is a 16 student decline, however enrollment is projected to go up in FY24.

Reflecting on FY22 challenges, Dr. Fleishman noted that continued COVID costs, an increase in substitute costs, a decline in school building revenues, and a higher number of health plans utilized than anticipated were costs that carried forward. Looking to FY23, Dr. Fleishman noted that a planned expansion in special education programs to meet growing student needs, increased health insurance costs, and a more expensive transportation contract were contributing factors in this year's budget gap.

Dr. Fleishman noted that in addressing the budget gap, the key considerations were which programs and services could be preserved, and what could be reduced or eliminated. While the NPS system-wide goals are consistent, they shift from year to year depending on priorities and need. This year, social and emotional well-being was critical, and will continue to be a significant challenge. Ensuring the health and safety of staff and students and maintaining the ability to provide mandated services were also primary focuses. Dr. Fleishman explained that due to fixed costs in non-personnel expenses, reductions in the budget were inevitably primarily focused on reducing personnel, which currently makes up 88% of the school budget. The budget levers looked at during the adjustment process include program breadth, class size, facilities operations, student services and educational infrastructure.

Dr. Fleishman summarized the budget adjustments as follows:

- Schools: All components (class size average, mental health supports) at the elementary level were preserved. There will be expansion of special education programs from preschools through the 18-22 year program. At the middle school level, team size averages will be preserved as well as art, languages and extracurricular programs. The literacy intervention program, which was small at this level, will be eliminated, and the current level of math intervention will be reduced. At the high school level, elective offerings, student course selection choice and interdisciplinary learning communities are being preserved. Some classes will have more than 25 students and school

guidance counselor ratios will be slightly higher, but they will be similar to pre-pandemic levels. One Career & Technical program is being phased out.

- Almost all social emotional support and mental health services will be preserved, with one administration position being reduced with consolidation, and one with retirement.
- In the area of teaching and learning, curriculum and instruction will be preserved at a reduced level. District and department level professional development will be reduced. The Administration will have to look at modifying some goals, but the focus will be on building an aligned coherent curriculum.
- The English Language Learning department will experience a halftime reduction in administrative support in the department.
- Information Technology will experience a reduction in the current level of support for instructional and administrative technology, however equipment levels and one to one programs are not being reduced.
- Human Resources/Diversity, Equity & Inclusion support staff will be preserved. NPS does not have a large HR department and there are not many reductions that can happen in those departments order for the district to function.
- There will be no reduction in the current level of administrative operations and custodial support, however there will be cut-backs on supplies, equipment and per pupil expenditures.

The proposed School Department budget for FY23 totals \$262,070,208 which reflects an increase of 3.5% from FY22.

Dr. Fleishman noted that with recent a recent infusion of additional funding, including a one-time funding of \$1.5M provided by the City and increased projection of school buildings revenue, the Administration was able to restore some eliminates. The net reduction of FTEs for FY23 is 20.7.

Q&A

Q: Please discuss the school finance shortfalls and how that has impacted the schools and the city budget. How will this look going forward?

The current teacher contract provides for an average annual increase of about 5% in the salary budget (88% of the budget), with steps and COLA increases built in. To stay even, the City would need a budget increase of over 4% (5% x 88%). For the last 2 years and this year, the allocation from the City has been in the 3-3 ½% range. In the previous years, the Administration was able to come up with one-time adjustments and other mechanisms to get the budget on track. This year, the department started to hit the wall as the adjustments were not available. To stand by the contractual commitments, it is now necessary to cut staff.

Going forward, the unaddressed structural deficit will have an impact on the ability of the City to keep moving ahead with educational innovation, professional development and other things that are important to the teachers and staff. We'll be looking at how much we will be forced to push down on the legitimate requests of the teachers in terms of compensation versus how many staff reductions will be required.

Q: How many positions are being eliminated due to decreased enrollment?

A: Roughly 10. Ward and Underwood Schools, and as a result Bigelow Middle School, are experiencing enrollment decline as there is less development in that area.

Q: Where are we at on the current positions shortfall now that it has been closed a bit with the recent adjustments?

A: There was a net 20.7 positions eliminated. This is a line-by-line item calculation that contains fractional positions, some of which were eliminated for reasons other than decreased enrollment.

Q: It seems we have a temporary short term problem related to the past couple of years, where literacy, math issues, child psychology issues, etc... became more urgent than they had traditionally been. Isn't that an appropriate use of some additional ARPA money to help out the school system with that and help them balance their budget on that front?

A: The additional \$1.510M in funding was provided for that reason; to help the school department restore some cuts in those positions and add that funding into the back into the budget.

Q: Are there any state or federal resources to support our schools, in particular, the special ed programs which are growing? Is there any plan to increase fees, especially for sports and music programs?

A: We receive federal money in the IDEA grant for special education. That's all formula driven. We also receive circuit breaker funding at the state level, in terms of reimbursement for students, That's not something we apply for, though. It is formulaic and comes from the state legislature. In some years, funding is higher. The circuit breaker funding is geared toward all students, not just special education. Given the current budget situation, we kept the same fee structures in place and did not make any adjustments to fees for next year, although it's certainly under the purview of the school committee to change or alter those.

Q: Could some cuts could be restored based on additional funds that we may get from state or federal departments later in the year?

A: It is unlikely that Newton will see substantial increases to that number. We have already taken some aggressive assumptions in some of our revenue assumptions that we've made to make this budget happen and I'm not aware of any other major sources available. The City only received a 1.8% increase in its Chapter 70 funding, which was a disappointment for the Administration.

Q: If there were some funds available through chapter 70, or through any other source, do you know where you would put it back?

A: We would look at the secondary level. We might also look to add a reserve teacher at the elementary level, in the event the enrollment numbers are larger than anticipated.

Q: Do the federal guidelines direct that the ARPA funding can only be used for one-time costs?

A: No, they do not tell us that. What we are being very careful of though is that the funds sunset. The City needs to spend or have committed our funds by the end of 2024. If we set ourselves up to using too much of the ARPA funds for one-time costs, we may not have the funds we need a year or two from now. We are trying to wean ourselves off the ARPA funding; the current intent is to use about 17% of our ARPA funds for our operating budgets, and reduce that amount each year.

The funds that we have provided to the schools are setting the schools up; the Administration will be carrying that money forward will be funding ongoing expenditures with them. We are giving them funding in the amount of \$220,000, for the FY22-24 period.

Q: What is the percentage increase in costs pursuant to the contract for what we're obligated to do for next year.

A: 48% of our staff are on top step and 52% of staff are stepping. The minimum step is 4%. For the next coming year, the folks that are stepping are getting approximately 2.75% increases. Those that are on top step are getting 3%. Factoring in lane changes (where staff obtain educational attainment credits and can increase their percentage), the calculation we had done prior to the reductions was approximately 4-4.5% for all of our existing staff at that time. This was after the reduction for turnover savings, and also factored in declining enrollment. There are more FTEs now than in 2019.

Q: Was this number communicated to the Chief Financial Officer?

A: Yes. We let her know that we thought that there will be challenges ahead.

Q: Was this percentage contemplated by the mayor and the last school committee when negotiating the last contract?

A: When the City became involved with the negotiation, we ultimately said we would provide three and a half percent, which enabled the school committee to raise what they were offering as a COLA for all levels by an extra quarter of a percent. That is what our involvement was.

Q: With the recent infusion of funding, are the teachers at Pierce being reinstated?

A: We will have a sufficient number of elementary teachers next year to ensure that students have reasonable class sizes. We will have the exact numbers in early May.

Q: Is there a similar program at NNHS (as there is at NSHS) for tuition-paying students?

A: The issue is space availability; South has more space. Additionally, the Educatus program has only one staff member that supports the program, which makes it difficult to be in both high schools.

Q: What are the sizes of the two high schools and what percentage are they at?

A: North has 2107 and South has 1836 students. Those numbers are going to close in the coming few years.

Q: What is the CTE program being phased out at North?

A: It is a design program. It is being phased out due to a decline in student enrollment and a teacher retiring.

Q: Are there any cuts in music this year? Are there plans to reinstate jazz band? The only reductions in music classes would be if there was a decline in student requests or enrollment. At the high school level, electives are determined by student request. If there are 20 students who request a class, it's probably offered; if it is only 7-8 students requesting, that's harder.

Q: In the past there were large wait lists for AP classes. Is that still an issue now?

A: The classes may be a little larger next year, but we have more sections of AP this year than we have over the last couple of years.

Q: Has all mental health counseling been preserved under the budget?

A: All mental health services at the elementary and middle school levels have been preserved. There is a .5 reduction in services between the 2 high schools, but this is just a return to pre-pandemic levels. In terms of support personnel, there is no reduction.

Q: On the subject of class size, could you discuss the situations at the high school and elementary levels?

A: We want to ensure that that virtually all the elementary classes are 25 and under. To help ensure this, we are not providing school assignments until August. That is somewhat late, but will help ensure that elementary school students had favorable class sizes.

We are not able to commit to <25 students per class at the high school level for all classes. Some of the honors AP classes may be over 25.

Q: Can you speak about the Middle School reductions?

A: We had to reduce the middle school intervention in literacy. In terms of FTE, it is about 2.5 for literacy specialists. Math intervention doesn't exist at all the middle schools and is much smaller.

Q: There is still about a \$2 million gap. Do we feel that we have done as much with the cuts made to hold our students harmless, so that those cuts made can get us on a sustainable track in the future?

A: Almost all of the positions that we reinstated were positions that were working directly with students, however, there were some positions that have an impact on adults and students. Technology is one example of critical support staff that is needed to support teachers. Also given the challenges with mental health, we are preserving virtually everything there, because if you don't have the mental health component, academic support is challenging.

School Committee Members reflected on the budget and their vote. This was a balancing act between the budget gap and trying to make the restorations that would do the least harm to the students. Several members noted that they felt comfortable in saying the team had mitigated that as much as possible given the choices they had.

School Committee Chair Olszewski noted that it was due to the extensive work on the part of the leadership team combined with the additional funding that allowed the School Committee to feel comfortable in approving the budget as sufficient to meet the needs of the students. She explained it was not about “finding money;” the vote was to cull from other areas of the school budget in order to ensure the continued financial health of NPS.

Addressing the structural deficit, Chair Olszewski reminded councilors that the School Committee would be looking to the Council to be their partners in supporting an operational override.

Councilors noted that there is a credibility issue when the City indicates a gap only to find more funds. This undercuts a sense of urgency. If we don't make a strong credible case to the voters that we are accurate with the information we're providing, we're not going to get them to give us any additional money.

It was noted that it would have been helpful to have the latest updates/documents made available in order to be able to digest what is being presented.

Councilors expressed concern over the financial pressures facing both the overall City and NPS budgets. It was noted that the City side is not getting a level funded budget to an even greater extent than the school side is not.

Several councilors noted that it would be a mistake to suggest that the teachers' contract was the responsible factor for the structural deficit. The school district has to provide competitive contracts, that's a big part of providing excellence in our school system. This was not a particularly overly generous contract. The root of the problem is the tax and financing system that municipalities struggle under in Massachusetts.

Other councilors disagreed, noting the combination of the increasing compensation and the revenues that are failing to keep pace is what creates a structural deficit. 88% of the budget, as is compensation. It's disingenuous to say that one major component of that isn't at least a factor in what has gotten us to where we are.

This structural deficit should not have been a surprise. Absent an infusion of funds, the only way to get funds is with an override. The City cannot continue this unless we start cutting severely into the schools.

One of the largest liabilities that we're carrying is the pension liabilities and were it not for that, the City would be in much better shape today. It's time for us to go back to the voters and ask for a tax

override, in order to continue to provide the services that our constituents we know they want across the board.

Councilors deliberated with regard to the budget voting process. Finance Chair Grossman presented the Council's options, as noted in the attached 04-12-22 memorandum. Chair Grossman summarized, noting that the City Council does not have the authority to add to the budget, but can cut the appropriation at a summary level. The Council also has the authority to make non-binding recommendations about changes within the appropriation.

A vote is in part a recognition of the hard work of the school committee and respect for the different stakeholders coming together to try to find ways to close the gap in a less painful way. My vote is an endorsement of what the School Department and Committee have done to get us to the point of a next fiscal year for our kids that will serve them well.

It was noted that the Council relies on the School Committee and Department to get into the details; that's evident by the limited powers the Council has. The School Committee signaled its approval of the budget with its 8-1 vote. This is a vote of support for the process.

Councilors complimented the School Committee on their deliberations, noting they were thoughtful, thorough, and respectful on very difficult topics.

Appreciation was noted for Chair Olszewski's remarks about working in partnership together as the process moves forward.

Councilors thanked Dr. Fleischman and expressed appreciation for his efforts in going above and beyond in providing education in a complex environment. Councilors wished him well in his new endeavors.

The Finance Committee took a straw poll 2-1-4 in favor of approval of the FY2023 municipal/school operating budget.

The Programs and Services Committee took a straw poll which carried 3-0-5 in favor of approval of the FY2023 municipal/school operating budget.

The Committees held the items for deliberations at the Committee of the Whole meetings and adjourned at 10:19 p.m.

Respectfully Submitted,

**Rebecca Walker Grossman, Chair
Finance Committee**

**Josh Krintzman, Chair
Programs & Services Committee**