

**FINANCE SUBCOMMITTEE MEETING MINUTES**  
**October 18, 2017**  
**5:00 p.m.**

**Spencer Borden Elementary School Community Room**  
**1400 President Avenue**  
**Fall River, MA 02720**

A roll call at 5:03 p.m. showed:

Mr. Coogan: Present                      Mrs. Panchley: Present  
Mr. Martins: Present

Also present were Superintendent Malone, Mr. Kevin Almeida, Mr. Tom Coogan, Mr. Ken Pacheco, Mr. Tom Rose, Ms. Mary Sahady, and Ms. Cathy Ann Viveiros.

Ms. Casey read the Open Meeting Law. A salute to the flag followed.

**Discussion:** Draft Indirect Cost Agreement

**MOTION: Mr. Coogan-Mrs. Panchley: To refer the draft Indirect Cost Agreement back to the Superintendent and the City for further negotiation.**

Superintendent Malone stated that they've been working for over a year on a creation and negotiation of an indirect cost agreement, which was updated from the 2011 agreement. He has given the Committee some background information as to how they got to a place where they are still negotiating items that were unclear in the original document. There were some changes that were made with the move to the per pupil expenditure. The School Department's Finance team has been working with the City's Finance Department to come to an agreement and draft a document that they can bring forward to the Committee for review. He felt that the document was ready to be vetted by the Finance Subcommittee. The indirect cost agreement supports about a \$40 million cost sharing between the schools and the City as they develop their full operating budget. This document is their best attempt at reaching a compromise.

Mr. Martins stated that whatever is decided at the Finance Subcommittee meeting will still need to go to the full Committee for final approval. One of the concerns that the School Committee had was the disadvantage of knowing what is allowed and what is not allowed. He asked if the Superintendent could go through the new draft and the Subcommittee can ask questions as they go along.

Superintendent Malone stated that, in the original document, there were some things that were not clear. The draft of the new indirect cost agreement attempts to clear up all the language that was unclear. In the back of the document, they included a table to see what the school operating budget was and what the City's indirect net school spending eligible budget was which is a new way to look at all the items that were talked about in the draft agreement. The Department of Education and the

Department of Revenue ensures that both municipality and school systems have the fiduciary responsibility under statute. They ensure that everything is legally charged and eligible to be charged. The School Department and the City negotiated what those percentages will be.

Mrs. Panchley stated that, at first read, she thought that the document was pretty fair but, as she looked more into it, she questioned if they were using the per pupil method. She contacted Robert O'Donnell from DESE to answer some questions that she had. There is language in the agreement that is already included if they switch over to the per pupil method so they are double counting.

Ms. Sahady stated that they were one of a few Massachusetts communities that are now using the PERAC computation. What that did for the Fall River School Department was give them over \$1 million. If they would have gone to the commissioner, there's a good chance that they would have prevailed the method that was included in the old agreement. In 2010, for the prior agreement, they were using the total number of covered employees divided by the total number of School Department employees. Jay Sullivan had indicated from a meeting with the prior Superintendent that that was a better way to go if they had that information, which is not available on an annual basis. Right now, the information is not available for 2017 so they are using 2016 information. The majority of communities are still utilizing the covered payroll. They agreed to go with the PERAC which was the preferred way if all the data was accurate and accounted for. The City went back through all the charges to see what they were paying on behalf of the School Department. The \$1 million increase is probably more like \$800,000 because of the additional cost that was picked up. To the School Department's advantage, going with the unfunded liability computation, is that it has provided the School Department with over \$1 million worth of retirement benefits.

Mr. Martins asked how the per pupil administrative cost was calculated. Ms. Sahady stated that it was calculated based on the rate that the State sets every year. In 2018, it's going to be \$118 per pupil. In 2017, it's \$111 per pupil and it's multiplied by the number of pupils that the School Department reports in October. Mr. Martins asked if she was referring to the October 1 report. Ms. Sahady confirmed that she was. She stated that in 2017, they had 10,726 students and that was the amount that they utilized in the last end-of-the-year report. Superintendent Malone added that, historically, the system didn't give the accurate reporting numbers of students. The October 1 report is the clean report from the State. Last year they charged for 200 more students than the State budgeted them for. Going forward, they will use the official October 1 reporting. Mr. Martins stated that the numbers from the October 1 report were fine but, if they add students after that or lose students after that, the number does change. Superintendent Malone stated that that was the official figure that the State uses for the Chapter 70 enrollment foundation budget. So that would be the accurate figure for them to use for the overall figure.

Mr. Martins asked about the pension payments to non-contributory retirees. Mr. Almeida stated that they used to have a few employees that did not contribute to the pension system years ago. Up until a few years ago, they had to fund those salaries through payroll. Those individuals are now at zero so they're not funding those anymore. Mr. Martins asked if this was necessary to list in the indirect cost agreement. Mr. Almeida stated that it was at the time they were writing it. Mr. Martins asked if all school employees were in the Massachusetts Teacher Retirement System or in the Fall River Retirement System. Mr. Almeida stated that they were. Mrs. Panchley stated that this was in the old agreement and there was a little bit of an explanation but it didn't make it any clearer.

Mr. Martins stated, in reference to Social Security, Medicare, and Retirement Savings Plan, the teachers who belong to the Massachusetts Retirement System pay into that from their pay. Those in the Fall River Retirement System also pay into that directly from their pay. When a person retires after 10 or 15 years, the person has already used up what he or she has contributed to their respective retirement systems. The person is still receiving retirement benefits. He tried to find in the agreement where it mentions a future liability. He asked where that comes in. Mr. Almeida stated that it's an annual payment that the City makes to the Fall River contributory retirement. The City and the School Department share in that amount. Mr. Martins stated that he saw that it was a 50% basis but the School Department has less than 50%. Mr. Almeida stated that the number was just under \$5 million for the School Department for 2017. Mr. Martins asked if that was for the School Department employees who did not pay into the Massachusetts Teacher Retirement System. Mr. Almeida stated that it was. Mr. Martins said that the total amount paid by the City was around \$26 million. Ms. Sahady confirmed that that was correct. Mr. Martins asked where in the indirect cost agreement did it indicate a ratio. Ms. Sahady stated that it wasn't really a ratio because the \$27 million that they pay is what they're paying and that includes the cost and the unfunded liability. The \$4.9 million that the School Department pays is not necessarily a percentage of the \$27 million. It was the actual computation that was done by PERAC a year ago. Mr. Martins asked what PERAC was. Ms. Sahady said that it was an acronym for the Public Employees Retirement Administration Commission. Mr. Martins stated that he doesn't imagine the numbers are the same every year. Ms. Sahady stated that PERAC does it for the Fall River Retirement System. Mr. Martins asked if they determined the numbers of the School Department and non-MTRS and the City employees. Ms. Sahady stated that that was correct. The Fall River Retirement System is required on an annual basis to provide PERAC with the census data from their participants, including their active employees and retirees. Mr. Martins asked if there was anywhere in the document that references this information. Ms. Sahady stated that it was in the first bullet under Item B on Page 2.

Mrs. Panchley pointed out the part where it refers to the benefits administrator that they pay a portion for. She stated that that was one of the things that she thought would be included in the per pupil. When she asked Mr. O'Donnell, he confirmed that those items were included in the calculation so those costs should not be itemized separately if they're going to use the per pupil administrative cost average. He outlined the codes where they draw from when they came up with the \$118. Human Resources and Benefits is one of those. He's saying that would be double counting if they include that in the indirect cost agreement because that is part of the \$118 per pupil. Ms. Viveiros stated that it was determined when they were doing the analysis that this particular individual is an individual within the HR department and all the calculations for health insurance claims to provide the reporting that that individual is actually doing quite a bit of additional work. The administrative fee is an overhead expense. In this particular instance, the reporting that is being done, especially in regards to claims, is creating additional work for the individual. Mrs. Panchley doesn't agree with this being in the agreement. If they were doing it the old way, they could rationalize why they would add additional people. Ms. Viveiros stated that the alternative would be that they would stop providing that additional reporting and simply provide them with the raw data and the School Department would do their own analysis. Mrs. Panchley stated that they shouldn't do the per pupil method if the City is going to take away the things that are included in it.

Ms. Sahady clarified that this wasn't for the HR director or the staff within that department, this is the person who deals with the benefits. If they go back to two years ago when the School Department had the health insurance in their budget, this wasn't an issue because this benefits person was not doing any work for the School Department. Now that they are responsible for any overages or underages of health insurance, this person needs to do all the analytical work in order to get them there. Part of the indirects for the per pupil would not include the directors or the individuals within the HR department. Mrs. Panchley remembered Mr. Almeida having the numbers before.

Mr. Almeida stated that he still does and he reviews the numbers on a monthly basis but they do this on the City's end. Mr. Coogan asked how much that was. Mr. Almeida stated that it was about \$30,000-\$35,000. Mrs. Panchley asked if that was the whole salary or just the School Department's portion. Mr. Almeida stated that it was the School Department's portion.

Ms. Viveiros pointed out the credit on Page 3, a change that was made that was positive for the School Department. There was a time when the City was not providing a credit to the School Department for any claims that were exceeding the stop loss. Now any stop loss reimbursement that is attributed to individuals within the School Department while receiving the health benefits, that credit is adjusted for the benefit of the School Department. Mrs. Panchley agreed that that was a positive change but she can't support the things that DESE is including in the \$118 figure.

Ms. Viveiros stated that there was going to be items in the agreement that they may feel is not appropriate but, as the Superintendent mentioned, this was a fairly in-depth negotiation. There were changes that were made that the City felt they could have contested but Mayor Correia convinced them that it benefited the schools and she supports that so she made the changes. One of the reasons they used to keep 100% of the stop loss excess was to cover the additional costs. The stop loss reimbursement to schools far exceeds the \$30,000 administrative charge incorporated. The School Department is paying their share of that person's time to do that work-related information. As a consequence, the City agreed to credit the School Department for the stop loss. Mrs. Panchley stated that she remembered it being in the \$300,000 range. Ms. Sahady stated, at one point, it was more than that.

Mr. Martins asked, with the per student method, if there was going to be a problem making references or doing the sharing on the basis of the number of students versus a percentage of teachers in the School Department or City's administration. Ms. Viveiros said, as she understands it, there are advisories within the DESE regulations where they are very clear on what they can and cannot include. They form the framework for these agreements. There are things that they couldn't include even if they agreed that they wanted to include it because DESE does not allow certain things. What she is suggesting, unless there is a clear prohibition, that DESE will respect their consensus in how this will be dealt with. Mrs. Panchley stated that Mr. O'Donnell indicated that those costs should not be itemized separately if they intend to utilize the per pupil cost average. Ms. Viveiros stated that the Mayor has been very clear that, whatever they can do to provide additional funding for the schools, they will do.

Mrs. Panchley stated that legal services and legal settlements are also included in the per pupil allocation method. When they talk about paying legal services a "school agrees to pay the direct

expenses incurred because of any litigation,” they’re saying that that is included in legal services. Mr. O’Donnell stated that damages and financial awards negotiated by the law department are included in legal settlements. All of those things are captured in the \$118. Ms. Viveiros stated that the School Department has the option to have their own counsel to complete all this. If they decide they don’t want the City to handle their litigation, they could hire their own legal counsel to represent them. Mrs. Panchley stated that it sounded like the City wants the School Department to pay the \$118 but they don’t want to provide what’s in the \$118. Ms. Viveiros stated that they only opted for the per pupil methodology because, under a former superintendent, it was getting extremely difficult for them to negotiate. They decided to go with the per pupil because it was getting so complex. For this current agreement, when they looked at what the actual time and expenses were for these items, they felt that they needed to be exempted from the overhead calculation that they believe the indirect is designed to capture. If the law department settles a claim for \$250,000 that would be included as part of the per pupil. They have the alternative of going back to a methodology that is not per pupil.

Superintendent Malone stated that it would be helpful to him if, on each of these areas, they gave a total so that he could know what the total was. Ms. Sahady stated that the \$32,000-\$33,000 was the 1/2 of the benefits person. As far as the claims go, they don’t know. Some years it may be zero. It depends on whether or not they have any claims in a given year. That is listed on Page 4, vi. VII is not to exceed \$40,000 so this would be the direct cost to litigate vi. Mrs. Panchley asked if this was for each claim. Ms. Sahady stated that it was \$40,000 per year. Mrs. Panchley stated that she didn’t think that Fall River was an outlier with incredible expenses for a benefits person and a lawyer. She doesn’t really hear about claims. Unless Fall River’s expenses are higher than other districts, then she believes this is included in the \$118. Ms. Viveiros said that they can go back to get an actual calculation of the claims and damages over X amount of years. She can say that it will be a significant number. Mrs. Panchley stated that she would like to know the average and what is included in the \$118. Ms. Viveiros reiterated that they look at the administrative per pupil as an overhead calculation. From a financial perspective, they would not be inclined to include those because they can be huge and they’re directly associated with the operation of the School Department. Mrs. Panchley stated that she understood that but noted that it is listed as one of the categories for the per pupil method.

Mrs. Panchley stated that she had a question on paying worker’s comp. Superintendent Malone asked if that was another unknown expense. Mr. Almeida stated that it was about \$56,000. Mr. Martins asked where it indicates that the attorney for the City gets paid, assuming that they go to litigation and there is no award. Ms. Sahady stated that Item 2 says “shall not exceed \$40,000 in any one fiscal year.” That is regardless of how many claims are made. Ms. Viveiros stated that the attorney has been instructed to keep timesheets so that all time for anything expended on school-related litigation is going to be timed.

Mrs. Panchley asked how the School Department took care of trash collection and disposal before. It wasn’t in the agreement before but now it is. She asked the same question for the Water/Sewage CSO. Mr. Almeida stated that the Water/Sewage CSO is on the agreement now because it wasn’t something that was originally in the agreement since it was instituted after the old agreement. As far as trash collection, he thinks that’s just a general statement because they pay a portion of the trash on a quarterly basis to the City. Mrs. Panchley asked if they did that before. Mr. Almeida stated that

they didn't do that before but they've been doing that for about 3-4 years. Ms. Sahady stated that it was in the prior agreement ("Snow plowing or removal, rubbish collection or disposal.")

Mr. Pacheco stated that the difference is, in 2014, the School Department paid for the disposal. Prior to 2014, there was no disposal fee.

Mrs. Panchley stated that audit fees were another item that Mr. O'Donnell indicated was included in the \$118. She doesn't know how much the external audit is. Ms. Sahady stated that the audit itself for the City was \$141,000. Particularly in the area of the single audit, which is the compliance audit based on the number of federal programs that have to be tested as a result of new laws that have come into play in the last several years. If the auditors determine that they're going to choose all water funds as their major program, then the School Department wouldn't have any charges at all. If they determine during the fiscal year that they're going to do school lunch, special education or Title I, then they're going to have a share in that cost. They will then track those funds that they're testing and what portion of it belongs to each of the entities. Mr. Almeida stated that, this year, they tested SPED, school lunch, and teacher quality. Mrs. Panchley asked if they paid a portion of this before. Mr. Almeida stated that this used to be a part of the auditor's cost so they paid a percentage of that. Mrs. Panchley stated that if they were paying this as part of the percentage then it would go toward the \$118. Ms. Sahady stated that it was very unusual for the audit fee to be included in the auditor's office. This fee is normally in a category by itself. That should not be a cost to that office because it's the cost of the City to operate. The auditor's department is part of the indirect but not the fee. Superintendent Malone asked what the cost was. Ms. Sahady stated that they put in \$40,000 as a placeholder but it will depend on what program gets tested. Mr. Almeida stated that, in any given year, they have at least one program that is tested. He's had years where there were five or six programs tested in one year.

Mr. Martins stated that he understood Water/Sewage and trash but there are a lot of items in there like professional, technical, and maintenance. He asked if that was applicable to all the services, especially the trash collection since they privatized it. Ms. Sahady stated that they privatized collection of the trash not disposal. Mr. Martins asked if the cost of benefits was part of the contract for collection. Mr. Pacheco stated that, in 2014, they developed a schedule of agreed upon pickups. In that fee was the per ton usage. Prior to 2014, they were just charging to pick up the trash but not the disposal. Now everything is included and it's per pull. All of the costs are built into that: costs to fuel the truck, insure it, and the employees' benefits.

Mr. Martins asked how the cost for supplies, materials, dues, subscriptions, travel expenses, and other related costs would be allocated to the School Department. Ms. Viveiros stated that the calculation was based on the number of pulls estimated based on the amount of trash they generated. That was based on the rate the City pays. When the land fill was open, they were not charged for disposal of trash. When the land fill closed, they had to start paying. They can revisit that and see if there has been a change in cost. Mr. Martins noted that it indicated that it included custodial services. Ms. Viveiros stated that that whole paragraph is for anything that effects school facility operations. Mr. Almeida stated that it was very similar to the language that was in there before. It's just a general paragraph. Mr. Martins stated that he doesn't like generalities. In a contract, he wants to see things written down in a way that they can all interpret it the same way. He noted that they

have maintenance and grounds listed but he was under the impression that they have their own maintenance and grounds personnel. Ms. Viveiros stated that this was for when the City does snow plowing around the schools. Mr. Pacheco stated that, in extraordinary situations, blizzards and heavy snowfall, they do have to haul snow away. The School Department doesn't have the ability to do that. Mr. Martins thinks that that paragraph needs to be re-written. Mr. Almeida stated that they could clean things up so that it is more specific.

Mrs. Panchley asked if Mr. Martins wanted to discuss the Medicaid Reimbursement. Ms. Sahady stated that last year the Medicaid reimbursement was \$2.1 million so the \$100,000 was offset by the expenses. If they don't feel strongly about the Medicaid being allocated over \$2 million, they will leave it as it currently is and take some of the expenses out. Mrs. Panchley stated that there were other members of the Committee who felt strongly that there should be more from the Medicaid reimbursement because the School Department is doing the work. She acknowledged that they've never received that much in reimbursement before so she is okay with this. It gives the School Department incentive to try to get more.

Mr. Almeida stated that, what the last agreement didn't have was the last two pages in the document, which allows anyone to look at this document and know exactly how the School Department is being charged. It is very clear as to what is being charged and what is not being charged. Mrs. Panchley agreed that it was much clearer than the last one but she wanted to point out things that were being double counted or didn't belong in there. Mr. Coogan recommended that they meet again next month to discuss this topic and see if it's been cleaned up enough to move it to the full Committee.

Mr. Martins stated that the School Department does all the work for the Medicare reimbursement in order to get the maximum reimbursement but \$2 million goes to the City and the School Department gets nothing unless it's over \$2 million, which then gets split in half. It's a step in the right direction but the effort is on the part of the School Department. He finds the \$2 million to be relatively high and the splitting is even more of a thorn.

<b>All were in favor</b>	<b>None were opposed</b>	<b>Motion passed</b>
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**Discussion:** School Resource Officers

Mr. Martins stated that he has looked at the cost for the salary of the seven School Resource Officers which is \$530,000. He felt that that was an extremely high amount for officers who only work for the School Department for 183 days. He took the \$530,000 and divided it by seven which came out to be \$75,714 per officer. That comes out to \$413.74 per day per officer for the 183 days. In taking 365 days and subtracting 104 weekend days, that comes out to be 261 paid days which includes paid vacation and holidays. The number of days assigned to a regular police officer is 261. If you subtract that by 183, that comes out to 78 days. If you multiply 78 by seven officers, that's a total of 546 days the School Department is paying for. If they divide \$75,714 by 261, that's \$290 per day per officer. And \$290 multiplied by 546 is \$158,389 paid to the police department without receiving SRO services. The Mayor pointed out at a former School Committee meeting that a sergeant was provided for free. He doesn't understand why a sergeant is required to supervise seven SROs all day. The sergeant's salary is \$75,532 which is less than the SROs are making. The sergeant is available

for 78 days for police duty. In dividing his salary of \$74,532 by 261, that comes out to \$285.50 per day. In multiplying that by 78, that's \$22,274 which is the amount paid to the police department without sergeant supervision. He also looked into the insurance benefits which came out to be \$9,913. When adding the sergeant cost and insurance benefits, that comes out to \$32,187. Taking all of that into consideration, the overpayment came out to be \$88,997. Subtracting the cost of the sergeant of \$32,187, that comes out to \$56,810 of overpayment. Furthermore, he took into consideration the retirement benefits of the officers. He received a letter from the retirement board that indicated that the City had to come up with \$26,278,061 by October 1. The retirement is a future expenditure so he does not feel that it should be applied to the seven officers for 183 days. If he were to hire a constable, he would pay them for 183 days. He doesn't think that salary would come out to \$530,000. He would like to see what exactly they are paying for. He doesn't agree that the School Department should pay their pension.

Mr. Coogan reasoned that they pay a percentage of teacher's pensions. Mr. Martins stated that the State pays for that. Mr. Almeida stated that the State pays on the School Department's behalf. Mr. Coogan felt that the SROs were important in the schools. Mr. Martins agreed. Mr. Coogan pointed out that the SROs were working the football games at night and they agree to work "after hours" events. Right now, they are doing this as comp time. Ms. Viveiros contacted the chief of police who provided her with the SRO's timesheets. The School Department is paying an annual salary but the position is for 183 days as opposed to 261 days. The days the SROs are not working for the School Department are days that they are off. When the SROs are not working for the School Department, they are all on earned time off using comp days, personal days, and vacation days. SROs work five days a week but regular police officers don't work five days a week, so SROs also get incentive days. All this information is documented.

Mr. Martins asked what the daily rate of pay was for a regular, non-SRO, officer. Ms. Viveiros said that she could get that information for the Committee. Mr. Martins stated that that was the amount that he wanted to pay the SROs for 183 days. Ms. Viveiros stated that they would still be paying the officers' salaries plus benefits and pension cost. Last year, it was about \$668,000. Superintendent Malone explained that this was a different contract than that of a regular school employee. Vacation time and time off for a police union contract is above and beyond what they would see with a traditional 12-month employee contract on the education side. Police officers don't work 40 hours a week, Monday-Friday. They have different shifts. SROs work 45 hours per week at a minimum. They do work on Saturday and Sunday and that is overtime. The hours that they work are above and beyond. Ms. Viveiros stated that the Superintendent negotiated with Mayor Correia that the cost of the supervisor would not be charged to the School Department. The chief explained that the SROs are required to have a supervisor since there are calls that the supervisor must respond to. If an SRO calls out sick, the sergeant needs to provide a replacement officer. There are other administrative duties that they do, as well. Superintendent Malone stated that the sergeant was needed because there are decisions to be made that an SRO can't make.

Mr. Martins stated again that he would like to know the rate of a regular police officer to see how it compares to the SRO's salary. Ms. Viveiros stated that she can get that information but she thinks it's going to match what the SROs are making.

**MOTION: Mr. Coogan-Mrs. Panchley: To adjourn.**

No discussion

**All were in favor**

**None were opposed**

**Motion passed (6:35 p.m.)**

Respectfully submitted,



Administrative Assistant

**Documents Referred to:**

- Draft Indirect Cost Agreement 2017
- Indirect Cost Agreement 2010
- Email re: School Budget
- Letter from John Sullivan re: changing the methodology for apportioning costs
- Letter to John Sullivan re: changing the methodology
- Letter to Mary Sahady re: the methodology used to charge the School Department for pension costs
- Letter to Superintendent Malone re: finalizing Fall River's FY15 Net School Spending

ADA Coordinator: Gary P. Howayeck, Esq.- 508.324.2650

Please note: A videotape/DVD of this meeting is on file in the School Committee Office and is available for review by contacting the Administrative Assistant for the School Committee Services