

FINANCE SUBCOMMITTEE MEETING MINUTES
November 27, 2017
4:30 p.m.

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

A roll call at 4:37 p.m. showed:

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

Also present were Superintendent Malone, Mr. Kevin Aguiar, Mr. Kevin Almeida, Mr. Joshua Hetzler, Mr. Tom Khoury, 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 recommend the draft Indirect Cost Agreement to the full School Committee for adoption.

Superintendent Malone stated that, at the last subcommittee meeting, the members had some questions and voiced their concerns so the School Department's finance team continued to negotiate with the City's finance team. He is presenting a new draft which he also emailed to the Committee last week.

Mrs. Panchley thanked everyone for going back to the table and working on this. She thinks that this is the best version that she's seen in the last four years. When they last met, they talked about the benefits administrator and she noticed that that person has been removed from the agreement. At the last meeting, it was said that, if this person was removed, that service would no longer be provided so she wanted some clarification as to whether things will be handled as they've always been handled or if Mr. Almeida will be responsible for that work. Ms. Sahady stated that they agreed to remove that individual but the work will still be done. It was the same situation with the legal where they included the language to consist of direct cost only as well as those costs that relate to filing in court but the salaries for those individuals were also removed. For the audit fee, they felt strongly that the school department should be carrying their share of it so that remained in the agreement. They were able to provide an analysis of the SROs so they could show where the cost of the City was significantly more than the salaries that were listed at the 70% mark which Mr. Martins had indicated should be the only portion of their salary.

Mr. Coogan asked if the per pupil method could be used throughout the years going forward and the cost would be factored in. Ms. Sahady stated that that was correct. The number of students would be generated by the School Department and the cost would be generated by DESE. Superintendent Malone stated that they will be using the October 1 figure that is cleaned up by DESE not the one that the School Department produces.

Mr. Martins stated that, in regards to retirement, the employee has retirement taken from his/her paycheck. That amount gets taken from the employees' paycheck every pay period over the years and then the person retires. That amount of money covers about 10 years of retirement. Mr. Almeida stated that he wasn't certain that it covered 10 years. He said that it would probably cover somewhere between 3-5 years. Mr. Martins stated that, according to the Fall River Retirement Board, it was 10-12 years. After the length of time has passed, the employee has collected the amount of money that he/she has put in. From that point on, that is part of the unfunded liability and that's the \$26 million. However, everyone in the system still received retirement checks. If a person were to pass away within a few days of the last day of work, there isn't much more that they will collect. If an employee lived to be 100 years old, that's more of the chunk of money that they didn't put into the retirement pool. On Page 1, Section II, it says that the cost of "administering the employees retirement program" for non-contributory pensions but this is a contributory pension. So they're not contributing to an individual employee's retirement but, if an employee lives to be 100, then at that time, they will contribute to his retirement. He asked if this was for prior retirees.

Ms. Sahady stated that this was for all employees. The \$26 million is the assessment from the PERAC. It increases about 6.5% each year. That includes both the normal cost as well as the unfunded liability. Right now, the City system is probably about 42-45% funded. That \$26 million is the current assessment for both the retirees as well as the active employees, utilizing several assumptions: their mortality rates, how old the employees are, how long they've been in the system, average withdrawals, and the average interest rate that the retirement assets will accumulate over time. His personal contributions into the system don't come out first. Each person doesn't have their own bank account like a 401K. This is one big contributory retirement system for which the liability is calculated based on the age and years of service for every retiree as well as active employees.

Mr. Martins asked if, for teachers, that retirement was based on the highest three years. Ms. Sahady stated that teachers participate in the Mass Teacher's Retirement System. The State provides an "on behalf" payment in addition to their withholdings each year which is about \$24-25 million. The State is providing the City of Fall River for on behalf payments for their teachers for the exact same reason. Mr. Martins asked if this amount of money was in a pool. Ms. Sahady confirmed that it was. Mr. Martins asked if, after a certain number of years, an employee would start drawing from that pool. Ms. Viveiros clarified that they would need to be vested. Mr. Almeida confirmed that they have to be in the system for 10 years. Mr. Martins stated that the second paragraph does not imply that the City of Fall River is paying toward an employee's retirement. Mr. Coogan pointed out that the first line said that it's paid by the City of Fall River. Mr. Martins stated that that was part of the years and years that go toward the \$26 million. Mr. Coogan stated that the \$26 million is a one-time pay off for this year. Ms. Sahady stated that that was correct. Next year is \$30 million. Ms. Viveiros added that it was an assessment. Mr. Martins stated that he just wanted to be clear as far as what is being considered here as a retirement contribution. Ms. Sahady stated that they were paying into the City's retirement system. Superintendent Malone clarified that what was outlined was the School Department's portion that they pay. Mr. Coogan explained that there was one pool and the \$26 million supplements it. The City gets the money from the State to supplement the teachers' pool so it's one giant pool being supplemented by two sources. Ms. Sahady added that they were paying the employees' retirement benefit. She reiterated that each person doesn't have their own bank account so they're paying into a system where everyone can draw from for their retirement. The money that employees contribute go into the same pool that the money that the City puts into and retirees draw off of that pool of money.

Mr. Martins asked if the number of years an employee starts to draw from the pool is money that they have put into the pool. Ms. Sahady stated that it's all calculated as part of the dollar value that the City has to contribute in that \$26 million. Ms. Viveiros stated that, under the first bullet on the second page where it says "normal costs," that's the part that the City, as the employer, has to pay for each employee towards their pension. The second bullet where it says "assessments" is that unfunded piece that the City also needs to pay. The School Department and the City are both contributing towards the employees' retirement. The assessment is based on the census data of the individual's name, gender, mortality rate, and interest on the investment. There are several assumptions that this rate is based on in order to develop the \$26 million estimate for FY18. Ms. Sahady added that the employees' date of birth, date of hire, and census data is provided to the actuary who does this calculation. Ms. Viveiros stated that, if they had paid all their unfunded liability and had no unfunded liability every year, they would still be paying into the retirement system for an employee. The amount they pay is based on the employees' age and expected life.

All were in favor

None were opposed

Motion passed

Discussion: School Resource Officers

MOTION: Mrs. Panchley-Mr. Coogan: To refer the discussion of the School Resource Officers' salary to the full School Committee.

Discussion:

Mr. Martins stated that he agreed that the officers were needed in the schools but he wanted to have a fair assessment of their services. He had asked for the daily rate of pay for police officers and the deputy chief said that it was \$242. In the budget for FY18, they budgeted \$530,000 for SROs' salaries.

Mr. Almeida explained that they paid for three SROs through their budget last year. Those three officers cost them \$250,000. In addition, they paid for 10 SROs on the City side last year. Those 10 SROs cost \$715,000. When he divided \$715,000 by 10, the average salary was just over \$71,000 per SRO. When he multiplied \$71,000 by four, it came out to be a little over \$280,000. He added \$280,000 and \$250,000 which is how he came up with the projected amount of \$530,000 which is what they budgeted.

Mr. Martins stated that \$242 per officer per day was a far cry from \$530,000. He wanted to be fair but he doesn't want to overpay the police department.

Ms. Viveiros compared the SROs to the teachers because they were on a similar calendar year. The SROs are there when school is in session. The teachers work 180 school days but they're compensated on an annual basis which includes their paid time off. The SROs have the same circumstance. As full-time employees, they're entitled to vacation time and other paid time off. Mr. Martins stated that teachers were paid for 183 days which included orientation and professional development days. He said that teachers were not paid for the Christmas break. They received 26 equal paychecks. During the summer time, they're not paid. The last four paychecks are withheld and that is what gets paid to them over the summer. Mr. Almeida stated that they receive a balloon check that worked out to be about five paychecks. Mr. Martins stated that there was a difference between \$530,000 and \$310,000 based on the \$242 per day. Ms. Sahady stated that the SROs get paid over 26 equal pay periods just like the teachers. Mr. Martins asked how they would calculate it if they were to take action against a teacher or an SRO causing them to lose a day's pay. He asked if it would be 1 out of 261 for an SRO. Mr. Almeida stated that it would be. Mr. Martins asked if it would be 1 out of 183 for a teacher. Mr. Almeida confirmed that it would be. Mr. Martins asked if that amount would be \$242 for the day. Mr. Almeida stated that it

would not. Mr. Martins asked why the deputy chief gave him that \$242 rate if it was not correct. Mr. Coogan explained that the deputy chief gave a flat rate for a pay step on the police scale but didn't include anything related to health insurance or retirement benefits. He added that some of the SROs have been in the school system for multiple years. They are obligated for all those costs. Mr. Martins stated that he wants to be fair. Mrs. Panchley stated that she thinks that this should go back to the full School Committee for them to weigh in on whether or not they think this should be pursued or if they're fine with the arrangement. Two-thirds of the Finance Subcommittee felt that this was a good arrangement.

Mr. Martins stated that he voted in favor of this before but next time he will vote no. Mrs. Panchley asked if he was referring to the budget. Mr. Martins stated that he was referring to this portion of the budget. Superintendent Malone stated that, when they do the budget again, they will do the zero-based process but he doesn't know if he will be able to fund the seven officers again. Mr. Martins stated that he was most concerned about not having the data or information to show that this is accurate. Superintendent Malone stated that one of the confusing factors is the 261 versus 183 work days which is a difference of 78 days. The SROs' work year mimics the teachers' work year because of the nature of their shifts.

Ms. Viveiros stated that the ultimate goal was for the full salary cost – not including retirement or health insurance – to be borne by the School Department because they get exclusive use of those officers. When the SROs are not working for the School Department, they are not providing work for the City of Fall River. They are on paid time off. That full cost is \$530,000.

Two were in favor	One was opposed (Martins)	Motion passed
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MOTION: Mr. Coogan-Mrs. Panchley: To adjourn.		
<u>No discussion</u>		
All were in favor	None were opposed	Motion passed (5:17 p.m.)

Respectfully submitted,



Administrative Assistant

Documents Referred to:

- Draft Indirect Cost Agreement – 11/14/2017

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