Call to order, welcome, and introductions

The meeting was called to order at 8:02 AM.

Presentation of Financial Statements for the period ending 3.31.21

a. Changes in Fund Balance

Barbara reviewed the Changes in Fund Balance document with the committee.

We are in a very good place compared to where we have been all year and last year at this time. The deficit is primarily reflected by not being able to have enough enrollment at HEC Academy due to space constraints and COVID. Even Related Services came in right on the money through March 31st. She believes Related Services will end with a deficit, probably in the $15-20,000 range. With Related Services, if they can’t get in with the student for whatever reason, they can’t bill the hours, though every effort is made to make up the hours to make the IEP hours.

- HEC Academy she believes will end around $350,000 in the hole. That’s equivalent to 6 students.
- Professional Services has surplus right now, but anticipate loss around $80,000 from Licensure program. She has a meeting with them next week to talk about where the issues are specifically. They do have a balanced budget for the year coming.

Barbara asked the committee if they had any questions.

Jennifer Mallette noted that the excess revenue over expenditures have brackets around surplus. Barbara thanked her for pointing that out and mentioned it was an automatic error with the system so she’ll fix that.

b. Statement of Activities

Barbara reviewed the Statement of Activities document with the committee with the below highlights. This report reflects the same information, but with some other spins.

- General Fund for Operations & Business Development – they have a balanced budget for the rest of the fiscal year. The committee may recall they started with a very large
negative number and have had continued cuts in that we haven’t spent money and did some purposeful cuts.

- COVID cleaning and supply costs are lower this year – we had huge investments last year. Budgeted $105,000 or so and saved $38,000 in that line item.
- The following expenses are also down - legal fees and expenses, snow removal, travel, staff development, and fringe – the fringe is primarily for HRA that has not been used by employees. Looking at past 5 years likely won’t touch those monies.
- Close to a balanced budget in Professional Services, but with Licensure, even though they’ve done a lot of work across the departments, we didn’t want to change the budget so we wouldn’t have a surprise at year end.
- Birth-22 landed in that ballpark around $386,000.

Barbara asked the committee if they had any questions. Barbara then responded to a few questions about how and if funds move over and if they’re considered cash or a liability.

Barbara then continued to review the General Fund section with the below highlights:

- Birth to Age 22 is up by $60,000, which is represented by a $40,000 grant to After School from United Way (new grant). These will carry into the new year. Connecting Activities also received a $20,000 increase from their funder.
- Professional Services went down by around $55,000 from the Tobacco Cessation reduction and the TARC (Targeted Assistance and Regional Coordination Centers) grant went down as well as a few smaller amounts here and there.
- DYS is up due to an increase in Title I funding, but that unfortunately comes with no indirect.

Dan asked about the areas of indirect we’re working on, to which Karen let him know that DPH is one place we’re looking at, but that may take a year or so.

Rick asked about the timing boundaries for expending grant funds, which Barbara explained.

Rick asked if we receive Title 2A services and Barbara responded that we do not. Rick recommended looking into this.

She let the group know that she always looks to see that expenditures and revenue are close and as they can see that’s the case in Professional Services. The rest are pretty close.

Rick Martin motioned to accept the 3/31/21 financial statements and the FY21 adjusted budget as presented. Annie McKenzie seconded the motion. Roll call vote was taken. All were in favor. The motion passed unanimously.

Presentation of FY22 Budget

Barbara reviewed the draft FY22 budget with the below highlights:

- Page 1 is the big picture of the organization – where we stand in this moment of time
- General Rund has a deficit of $716,000
- Special Revenue has a balanced budget
- Compared to where we are now we have a $481,000 shortfall. We tried to present a picture of what it takes to run the organization so we can start a conversation of what it looks like going forward.
Page 2 details the General Fund where you can see where the shortfalls are. Professional Services has a surplus budget. They have accounted for revenues coming in and their expenses are lower than their revenues.

Birth to Age 22 is primarily reflected by HEC Academy, but also shows expected loss.

Jen asked what the indirect costs are, which Barbara went on to explain how they’re charged to each department and that in Shared Services the revenue is listed as internal indirect as opposed to indirect from grants and contracts.

Barbara continued to highlight the draft budget:

- Shared Services has a deficit, but we’ll get to more detail as we move further
- Page 3 has an overview of Special Revenue by department. You can see they all have net zero. There should never be a concern about that in Special Revenue.
- Page 4 has the Shared Services Budget. She apologized that the revenues aren’t listed so she read them to the committee and will make a note to add these.
- These revenues include for internal revenue, grant revenue, member assessment, cooperative purchasing, rent from HEC Academy (40% of the mortgage), and interest.
- Other revenues include from Business Development - they provide revenue through web hosting and web development as well as some graphic designed work.
- We also get $1500 dollars a year from GCN training, which is professional development for organizations in areas for compliance. We use them and have an arrangement that when other schools use their products through us we get a small portion.
- The expenses are just what it would cost to run this organization and to move forward to automate whenever possible to meet the basic needs of opening and operating the operation on a day to day basis. We have not yet identified the revenue to cover those expenses.

Karen explained the process we’ve been going through trying to analyze what services programs require and what people power and where we can find efficiencies. We’re also talking about building a development plan for the future so we can consider how to generate revenue we have better control of. She also explained the analysis and strategies we’re looking at around the DYS contract and the people power and resources it takes to support them, as well as the issues surrounding not receiving the full amount of indirect when all resources are not used. For instance, allocating a business function to DYS.

Additionally, she explained that HEC Academy is a hurdle. We’re really operating at and approaching at all angles. We do have a healthy fund balance but we want to keep it that way. We have to grapple with this to position the agency forward. She thinks we’re doing a good job pulling this apart and kudos to the Operational Continuity Team (OCT) for doing this work. It brings a diverse set of perspectives around the table. We’re going to continue as we did this year to look closely at where we can cut expenses.

Jen asked about the indirect costs and if they’re at the maximum. Karen and Barbara proceeded to explain the various caps, barriers, and potential next steps regarding the indirect costs.
Dan appreciated the work of the Operational Continuity Team and the differing perspectives. He supports continuing this work and determining next steps, such as advocacy and in general out of the box thinking.

Barbara let the committee know some of things we are currently working on:

- Looking at how to best utilize space and allow for growth.
- Working on the application to get the PPP loan forgiven. She let them know that TEC collaborative’s loan was forgiven and that we’ve done the work that indicates 100% of our loan would be forgiven. We don’t know when that news will be official.
- Reviewing capital planning consultants to review our facilities so we can better understand what needs to be done.
- Relatedly, in the budget at the end is a capital fund plan. Should the Board approve it we need to be in a position to fund it. Originally she had put .5% as a placeholder but realized this only becomes relevant if we receive the PPP loan forgiveness. The Board would then need to vote to use those funds to begin funding it, but DESE requires there be a plan for that contribution. Karen noted that most collaboratives in MA have a capital plan and it’s important when potentially calculating surplus if you have a capital plan and have genuine needs.
- Dan added that by doing the Executive Director search in-house, it’s saved us a significant amount of money.

Barbara asked if there were any questions and there were none so she continued to review the budget with the below highlights:

- Page 5 includes rates for Shared Services. We’re maxed out at 25% upcharge for non-members.
- Page 6 details the member assessment based on October student count. She has more years that she can provide. It’s been a steady decline. Around 2008/2010 was the last time there was a change to this rate. She’s not proposing it at this time, just something for consideration over the next several years. For instance, raising the number from $3.50 to $5 would not solve all of our problems and we know where schools are right now financially.
- Page 7 is the round up for Birth to Age 22.
- Page 8 details what funds they have coming in for Birth to Age 22.
- Page 9 includes rates for each of those departments within Birth to Age 22. Under Early Childhood she is taking full responsibility for lack of rate and hopes there won’t be any blanks when we send it to the Board, but it was a matter of timing and she was unable to get the numbers.
- Page 10 includes tuition as compared to other program tuitions for HEC Academy’s rate. We are proposing an increase, 2% for members and 16% increase for non-members. That brings our member day rate to $311.10, compared to the state average of $414.39. Even the non-member rate doesn’t come close to that average, but it does compared to private schools. We use schools that are geographically close and that have services closest to ours. The Board wanted this comparison in addition to what Jay Sullivan suggested – an average. Dan agrees that it’s important to compare to local schools. Barbara let them know she will be asking the Board to accept the rates. Dan and the rest of the committee agreed they look reasonable.
Dan asked if we were able to fund last year’s COLA to which Barbara let him know were not. He followed up asking if the PPP loan is forgiven will we be able to? Barbara let him that would not be in time for this fiscal year

Annie McKenzie motion to accept the rate changes for FY22. Jennifer Mallette seconded the motion. Roll call vote was taken. All were in favor. The motion passed unanimously.

Barbara let the committee know that the Board will vote in June to accept the budget.

Jen asked about the PPP loan forgiveness and the timing of it. Barbara let her know the paperwork is almost finished and for TEC it took 4 months. Also, while you have up to two years after receiving the funds, we want to submit it as soon as possible.

Annie offered her help in reaching out to her colleagues around surveying where they’re spending their money and with what providers if it’s not us and where they’re placing their SPED students if not with us. Karen and Dan both thought that would be incredibly helpful.

Annie McKenzie left the meeting.

Barbara let the committee know that one of the new projects with Professional Services is trying to establish an arrangement where folks can have a retainer for us. So if they need to talk to someone about SJE they will be connected with someone in hopes of developing that relationship. Ultimately, if DESE were to be a bigger influencer of schools using collaboratives that would also be helpful.

Dan knows there have been discussions in the past about liaisons with districts so Karen let him know that the Cabinet is working on reviewing the liaison plan.

Rick suggested maybe at the next Franklin and Hampshire superintendents meeting they could provide Karen with curriculum coordinators and directors. Dan added that we could also bring key positions to a coordinated meeting, such as members of the Cabinet. Barbara agreed that would be a great opportunity to remind them that we’re here to serve you.
Dan added we could potentially see if someone from cooperative purchasing could be there to talk about cost savings and see how much it’s saving districts.

Adjournment

The meeting adjourned at 9:10 AM.