

Minutes

Town of Norwich
Finance Committee Meeting
Tuesday, September 23, 2008
Tracy Hall, Norwich, Vermont

Members present: Alvin Converse (Chair), Stephen Flanders (Secretary), Karen Kayen, Cheryl Lindberg (arrived 4:40 PM), Fred Crawford

Members absent: Stephen Lajoie

Also Present: Neil Fulton (Interim Town Manager), Dennis Kaufman

Chairperson Converse called the meeting to order at 4:32 PM

Agenda Items Discussed

1. Review/Approval of Minutes

- Minutes of Meeting of September 16, 2008.
(5 minutes—4:35 PM)

Motion: Crawford moved and Kayen seconded that the minutes be adopted with two editorial changes. The vote was unanimous

2. Old Business:

- *Letter on changes in tax rate to cover increased debt service*—The committee agreed that the most recently circulated press release, entitled “No Norwich Tax “Tsunami” for Dresden Debt” (Attachment A) was ready for distribution. The purpose of the press release is to inform taxpayers that the feared “tsunami” of increased school construction taxes will be mitigated by having timed the disbursement of state aid payments. Since no other entity has taken an interest in creating such a press release, it has fallen on the NFC to do so.
- *Fulton Memorandum*—Fulton handed out a memorandum to the Norwich Selectboard entitled “School Debt Tax Rate,” covering much of the same material as the NFC press release with the purpose of informing the selectboard on the topic. The NFC thanked Fulton for sharing the letter to select board with the NFC.

- *Vetted*—Both letters have been vetted by former NFC member, Irv Thomae, and shared with SAU 70 Assistant Superintendent for Business, John Aubin.

Action: Kayen to distribute the press release to the Norwich and Upper Valley news outlets

3. New Business:

- *Develop NFC guidelines for negotiating upcoming labor contracts*—The current Norwich teachers' contract expires in January of 2009. The negotiations begin in October of 2008, at which point all negotiation points will be presented. The NFC realized that its input should be ready before the negotiations began.
 - The NFC discussed two proposed sets of guidelines, one entitled "Negotiation Recommendations for the Norwich Teachers' Contract" (Attachment B) and the other entitled "Guidelines for the Norwich Contract" (Attachment C).
 - The "Negotiation Recommendations for the Norwich Teachers' Contract" advocated a goal of compensating teachers at a level no higher than 15% above the Vermont state average for elementary school teachers. It also advocated implementing a pay-for-performance salary system in the more commonly used place of the step-and-track system. It laid out steps to attain these goals. The NFC viewed this approach as more "revolutionary." Some editorial improvements were suggested.
 - The "Guidelines for the Norwich Contract" emphasized limiting increases in total teacher compensation to no more than the Consumer Price Index—Urban—Northeast. The NFC viewed this approach as more "evolutionary."

Motion: Flanders moved and Lindberg seconded that the committee adopt "Negotiation Recommendations for the Norwich Teachers' Contract" with "should maintain its status as an excellent school" changed to "should strive to maintain its status

as an excellent school” and the words “Cost of living adjustments...” changed to “Adjustments....”

- In the discussion, it was noted that this version was stronger in containing costs, while maintaining a compensation package that would retain and attract excellent teachers.
- Reservations were expressed over its provision pertaining to applying the CPI income adjustments to incumbent teachers.

Motion passed 4 in favor (Crawford, Flanders, Kayen and Lindberg) to 1 against (Converse) and 0 abstentions.

Action: Converse to forward document to do SAU Superintendent Wayne Gersen, Assistant SAU Superintendent John Aubin, and Norwich School Board Chair Becky French with a cover letter. Converse to send Lajoie’s input to the NFC.

4. Other New Business

- Converse recommended and the NFC agreed that the \$1M capital-funding surplus should be discussed at Dresden Finance Committee.
- Kaufman reported that the grand list is still unknown, owing to appeals by property owners to the Board of Civil Authority. The CLA is forecast to be very close to 100% for FY2009. The CLA for FY2010 is likely to represent an approximately 7% drop with inflated values.

5. Adjournment

Motion: Flanders moved and Lindberg seconded that the committee adjourn. The vote was unanimous. Adjourned at 5:45 pm.

Next meeting date: Tuesday, October 21, 2008 at 4:00 PM in Tracy Hall.

ATTACHMENT A

Press Release from the Norwich Finance Committee

No Norwich Tax “Tsunami” for Dresden Debt

Norwich, Vermont September 16, 2008

In 2003, Dresden School District voters approved a proposal to build a new Richmond Middle School and extensively renovate Hanover High School. In a very substantial boost to that project, Dartmouth College agreed to contribute \$9.5 million, paid in five equal installments. Because the last of those \$1.9 million payments falls in the current (2008-9) school year, next year Norwich's share of Dresden debt service will increase by about \$600,000. This fact has caused widespread concern about a dramatic increase in school taxes for the coming fiscal year, or what one town official memorably dubbed a "tsunami".

At the September meeting of the Norwich Finance Committee, SAU Assistant Superintendent for Business, John Aubin, and former Norwich Finance Committee member, Irv Thomae, briefed the Committee on their plan to smooth out Norwich's share of Dresden bond payments. They reminded the Committee that Vermont pays out one half of school construction aid as an approved project begins, with the balance paid after completion. The school district put that money into a reserve fund, invested at the highest rate offered, and disburses a proportional share of it against each year's debt service, thereby reducing that year's net expense.

Three years ago, with the full support of the Norwich Finance Committee and the Norwich School Board, Mr. Aubin began leaving part or all of each year's construction-aid money in the best investment offer received. Through this precaution and investment effort, a cushion of more than \$400,000 has accumulated. Mr. Thomae's analysis shows that by adding pieces of that "extra" money to the already-planned disbursements, the portion of Norwich's residential school tax rate, which pays for debt service, will increase by only about one cent a year (per hundred dollars of valuation) over the next five years, from 10.08 cents now to 15.26 cents in 2013-14. Taxpayers eligible for income-adjusted school tax (i.e., those with annual household incomes less than \$90,000) will experience even smaller changes attributable to debt service. This applies to principal residences only; under current Vermont school-funding law, non-residential school taxes are not affected by local spending decisions.

ATTACHMENT B

Guidelines from the Norwich Finance Committee

Negotiation Recommendations for the Norwich Teachers' Contract

September 23, 2008

Objective—The Norwich Finance Committee (NFC) is committed to the goal that the Marion Cross School should strive to maintain its status as an excellent school that attracts an increasing number of students. It understands that high-quality teachers are key to this goal and thanks the current teaching staff for its contributions to the school's high quality.

Constraint—The NFC notes that the Marion Cross School has been attractive to both students and teachers since before 1999, yet the salaries of Norwich teachers rose on an average of 4.6% per annum through 2008, compared with the Vermont average of 3.1% per annum, resulting in a change in the ratio between Norwich salaries to Vermont salaries from 114% in 1999 to 130% in 2008. The NFC recommends a 15% premium in total compensation to Norwich teachers as sufficient for both retention and recruitment of high-quality teachers.

Recommendations—The NFC recommends that:

- Compensation negotiations be on a zero basis¹ and apply objective principles.²
- Compensation packages allow for retention and recruitment of high-quality staff.
- Total compensation should be no more than 15%³ greater than the state average for elementary schools. The same applies for entry-level and top-level compensation within a track. The NFC recommends stabilizing incumbent compensation packages until that standard is met.⁴
- Track designations should comprise written position descriptions that describe teacher duties and the corresponding qualifications, including knowledge and

¹ Zero basis—building the compensation package from zero, not starting with the current levels of compensation.

² Objective principles—use labor market data and other factual information as the basis for negotiation.

³ 15% is a number that represents a sufficient value to retain and attract teachers, based on experience from 1999 and before.

⁴ Holding the compensation packages of incumbents constant, until the state averages have risen to within 15% of their level, as adjusted for the incumbent's position in track.

demonstrated skills,⁵ required for the entry-level and full-performance levels of duty within a track, together with the salary range of the track.

- Salaries within a track should be based on objective performance measures of teachers' applied knowledge and skills within the standards of the track's position and be adjusted, if appropriate, as a result of an annual review by the principal and approved by the NSB of any change in teacher performance, *not by automatic increases*.
- The principal be empowered to make awards to teachers from a fund that rewards exemplary accomplishments that do not constitute an increase in knowledge and skills.
- Adjustments to teachers' salaries and award fund should be no greater than a running average of the monthly Consumer Price Index-Urban-Northeast, taken over five years.
- Benefits should continue to be offered under an IRS Section 125 "cafeteria plan" to allow employee contributions to be paid with pre-tax funds.
- Increases in benefit costs should be absorbed by an offset in employee salary, consistent with maintaining:
 1. Compensation within 15% of the state average and
 2. Compensation growth within the Consumer Price Index-Urban-Northeast, taken over five years.

⁵ Knowledge of subject matter and skills for organizing and presenting a curriculum are key to successful teaching, as is the ability to adapt to students' learning abilities.

ATTACHMENT C

Guidelines for Norwich Contract

Date Sept. 23, 2008

Noting that the average salary has increased from 14 % above the VT state average in 1999 to 30% above the VT state average in 2008, and that the salary schedule in Norwich has increased so that in 2007 the average salary in Norwich was nearly equal to the average salary in the Hanover district*, we feel that the compensation package, including benefits as well as salary, in the new contract should not increase faster than the CPI-urban-northeast index. If it is expected that medical insurance premiums are increasing faster than the CPI, this means that the base salary increase will have to be less than the CPI or the employee will have to bear a greater portion of the premiums or accept a less expensive policy, such as one requiring co-pay.

This guideline is consistent with our budget guideline that the net budget not increase more than 3.2%. By net budget we mean that expenses that are covered by corresponding revenues are excluded.

*In 2008 the average salaries were 62,657 in Norwich and 65,722 in Hanover. The 08-09 salary schedules are difficult to compare but as an example the salary for a teacher in track 3 step 9 is \$56,515 in Norwich and 57,723 in Hanover. However in Norwich a track 3 employee contributed 11% of the health insurance premiums whereas in Hanover, 20%.