



# Town of Nantucket Finance Committee

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**Committee Members:** Denice Kronau (Chair), Stephen Maury(Vice-chair), Joseph T. Grause Jr., Peter McEachern, Joanna Roche, Peter Schaeffer, Chris Glowacki, Jill Vieth, George Harrington

## MINUTES

**Tuesday, January 21, 2020**

4 Fairgrounds Road, Community Room – 4:00 p.m.

Called to order at 4:00 p.m.

Staff in attendance: Brian Turbitt, Director of Finance; Alexandria Penta, Financial Analyst  
 Attending Members: Kronau, Maury, Grause, Roche, Schaeffer, Glowacki, Vieth, Harrington  
 Absent Members: McEachern  
 Department Heads: Nantucket Memorial Airport (NMA) Assistant Manager Noah Karberg, NMA Finance Officer Jamie Sandsbury, Superintendent of Schools Michael Cozort, Nantucket Public Schools (NPS), NPS Finance Director Martin Anguelov

Documents used: Draft minutes for January 13, 2020; Nantucket Memorial Airport Budget; Nantucket Public Schools Budget PowerPoint®

### I. APPROVAL OF PRIOR MEETING MINUTES

1. January 13, 2020: **Motion to Approve.** (made by: Roche) (seconded) Carried unanimously

### II. PUBLIC COMMENTS

None

### III. AIRPORT OPERATING BUDGET REVIEWS

Sitting Kronau, Maury, Grause, Roche, Schaeffer, Glowacki, Vieth, Harrington

Discussion **Karberg** – Upgrade Taxiway Echo which is over 40 years old. Phase I upgrade of security system: badging, CCTV. Halfway through Environmental Review. Continued development of air service. Expansion of non-aeronautical revenue: concessions, rentals. Continuing our review of rates and charges to meet expenses. Expanded our summer post Transportation Security Administration (TSA) secured holding area and amenities. Priority is safety and security. Increase quality of service delivery in concessions. Financial stability, hope to see improvement through marketing for increased service to year-round. Significant changes: increased seasonal traffic, impact of larger aircraft on infrastructure, local air-service market, hanger availability for local airfreight services, funding for national funding system.

**Kronau** – Asked how airfreight services fees are calculated and typical tonnage on Nantucket per year.

**Karberg** – He’d have to look that up. There’s not a lot though it has increased due to Amazon and such.

**Grause** – Asked that he put the number of passengers into context.

**Karberg** – Five years ago, we had 4 large carriers: 5 Jet blue and one each United, Delta, and American on a peak day. A peak day now will see 22 or 23 large aircraft; that equates to roughly 1500 to 1800 passengers going through TSA screening. An industry trend that exacerbates that is called flight banks; as air carriers consolidate, there fewer ways to connect passengers and to get passengers out to the hubs, the flights leave at the same time; this trickled down to smaller airports.

**Grause** – If it were a pie chart, how much revenue would be commercial versus private and parking etc.

**Karberg** – FBO revenue including fuel accounts for about 50%; landing fees and non-aeronautical operations are about 25% each. A major change is non-aeronautical operations land rent increase. He can get that information.

**Glowacki** – Asked what exactly non-aeronautical operations is, and if it is likely to grow.

**Karberg** – Growing that area is the focus of the Airport Commission, which has strategic oversight. Land rental and use – Bunker Road tenants, Airport Gas, Airport Parking lot, and Sun Island Road properties – is a hedge against volatile operations; we've pursued a number of new tenants in the Bunker Road area. We feel it is important to mete the properties out slowly to avoid impact from market volatility for financial stability. No all land is shovel ready because of environmental permitting; to change it to non-aeronautical use require the permitting.

**Schaeffer** – The parking lot has dropped precipitously since changing the way people pay for it. Asked if there is thought to going back to the old system or a more restricted system.

**Karberg** – What that doesn't show is the amazing savings in staff time by not having to respond to damaged units. Staff recommendation is to stay with the current system. Gains to be made would be through tightening up the request for proposal (RFP). The largest revenue component is the long-term parking.

**Grause** – Asked about the actual FY2020 versus projected FY2020 budget shows a loss.

**Karberg** – We are being conservative in our forecast revenue. We've had some one-time expenses impact that revenue.

**Grause** – On Page 4 of the PFC, pointed out that budget shows a net loss with a transfer of \$670,000 from retained earnings with next year a transfer of \$800,000. He doesn't understand that if they are projecting a net profit.

**Karberg** – That isn't the information he has; he'll have to follow up on that.

**Sandsbury** – We have net \$400,000 for the transfer, which we compensate with a PFC transfer; we net out at zero. We still anticipate a profit loss for FY2020.

**Turbitt** – That is to cover debt service; it isn't really a loss as it isn't coming from retained earnings. The \$400,000 can be used against future debt service. They can't generate net earnings on a budgetary basis for a balance budget; they can generate earnings on an actuary basis. PFC and retained earnings are two different accounts.

**Maury** – He's comfortable with the explanation but not how it is depicted on Page 4 of the presentation.

**Turbitt** – We will have to revise Page 4 and send it out. Retained earnings were certified at \$3.5m on July 1. The airport is doing much better than they were previously, and the Town Manager is working to get the understanding of revenue and expenditures and allocations. They have been able to generate a surplus.

**Schaeffer** – Asked what the peak passenger count was back when Cape Air and Island Air were flying versus today.

**Karberg** – Annually it was well over 200,000 passengers; today it is annually 135,000.

**Grause** – Asked how much is still owed to the Town.

**Turbitt** – About \$3.5m; the final agreement and FAA approved was for \$3.9m. Explained the credit to the Airport for use of materials; annually that comes to about \$125,000 cash and \$135,000 materials in payback to the Town.

**Roche** – Asked if there is a benchmark airport that NMA measures against and who it is.

**Karberg** – There isn't a benchmark. We are trying to reconstitute our seasonal airport service group; we would benchmark with Aspen, Vale, mostly western mountain ski resorts; they are good because they have a high cost for fuel as well.

**Kronau** – Asked for a quick overview of the AIP project for \$6.1m.

**Karberg** – The block show \$2m previously appropriate for safety and security, plus an additional \$4m in supplemental; bids were high, Nantucket factor, and escalation. This is an AIP-reimbursed project, but the caveat is a territory fight between TSA and FAA, which gets

down into the details and changes the eligibility matrix. It ends up being in the range of 75/25 reimbursement rather than 95/5.

**Kronau** – Asked about the fuel farm project.

**Karberg** – This is an our-money project to replace the piping, cabinets and fire suppression; \$0.5m through retained earnings and \$0.5m borrowing. We have to replace the PFOS foam system.

**Vieth** – Asked how they budget loss of revenue.

**Karberg** – He believes they budgeted for a total loss for between \$100,000 to \$150,000; that was budgeted through the year-round air-taxi service, so it isn't as large as an impact. Stated that Retrix is keeping open on the possibility of coming back.

**Schaeffer** – Asked if there are other airlines looking to pick up the Hyannis taxi service.

**Karberg** – Yes, but he can't go into it at this time.

**IV. OTHER BUSINESS**

1. **Glowacki** – Asked about getting warrant article proponents to attend meetings.

**Kronau** – She has had to chase them down but she's closing in. At some point we will say we tried to get them in there to no success so will rule without their input.

2. **Grause** – He thinks the March Public Information Sessions will be a waste of time. If we plan for one and only a few people show up, there is no problem.

**Kronau** – She agrees with scheduling one and seeing how it goes; if a lot of people show up, we can schedule a second. Asked how people see it being laid out.

**Maury** – He doesn't think it will lead to good public discussion. The whole value would be a proponent, detractor, and us discussing why we opined the way we did. Explained how the Civic group operates their "meet the articles" program. Noted FinCom has the opportunity to call an article.

**Kronau** – This would be opportunity for people to understand why FinCom ruled the way it did.

**Roche** – This is essentially for maybe 15 or 20 articles. Suggested a handout for Town Meeting that explains in depth why we ruled as we did.

**Maury** – There will be "45" other handouts so the voters won't have time to read them. He would prefer to facility at discussion.

**Dawn Hill Holdgate** – She thinks it would behoove FinCom to speak to their articles; it gives people more "color" into motion.

**Kronau** – The ground rule to the session would have to be the understanding that we can debate the motion but FinCom is not reopening.

**Grause** – He doesn't think someone would take time to discuss an article when it won't make a difference.

**Kronau** – This is how it might look: people come in, we set the ground rules, the people state what they want to discuss, we take turns commenting for no more than 5 minute each, one person would be the moderator. We are on for March 12<sup>th</sup> at 4 to 7 p.m. She will draft up ground rules for the Thursday meeting.

**V. NANTUCKET PUBLIC SCHOOLS BUDGET**

Sitting Kronau, Maury, Grause, Roche, Schaeffer, Glowacki, Vieth, Harrington

Discussion **Cozort** – Introduced Elizabeth Hallett, PhD. Deputy Superintendent, the administrative staff, and school committee members. Reviewed the change in enrollment over his 10 years here; enrollment has increased from 1289 to 1683. The "big numbers" are currently rolling through the middle school, in 3 years they will be in the high school. NPS is the 2<sup>nd</sup> most diverse small school district.

The number of English Language Learners (ELL) students has grown from 65 to 260; a subset of this is the number of ELL students coming in at the high school level but the elementary school still has the largest number of ELL.

The greatest challenge facing us is the number of children coming into the schools with mental health issues or issues in their homes. There is a concern with the lack of counselors and resources to meet those needs. There are times we have to send students off Island to an in-house program.

This year's budget is \$31,796,642; that a \$1,660,000 increase, which includes a one-time expense in technology. When you look at an increase in operation, you have to look at an increase in enrollment; that is what drives operation costs.

**Glowacki** – Asked where NPS expenditures rank within the state.

**Cozort** – We're not in the top 5; there are some very small districts that have to send their high school students out of district. The State Department puts schools in groups called "Comps," which are based upon pupil expenditures, per capita income, percentage of ELL students.

**Glowacki** – Asked about looking at Comps to see NPS ranking in the athletics program.

**Anguelov** – You can't look at the Comp to measure athletic expenditures.

**Cozort** – Being an Island school, things we can't do include: we can't belong to a vocational consortium, we can't use a special education day program consortium, and our athletic away games involve a ferry and bus ride and paying officials to travel. He likes to think there are advantages that offset that.

Reviewed Chapter 70 and how it works; there could be some big changes coming for Chapter 70 due to budget cuts. Reviewed Federal grant monies: Title 1, Title 2, Title 3, Title 4, and Perkins.

Reviewed the budget breakdown per school and central office, technology, athletics, and facilities; the budget is further broken down to payroll and expenses; payroll is usually 97% of expenses. The schools and committee are committed to the development of the whole child, physical and emotional not just intellectual. Trying to eliminate line-item transfers. Trying to ensure utility expenses are budgeted properly.

Reviewed increases: The elementary school increases: technology, add an ELL teacher, and add a pre-K teacher and pre-K teacher assistant. Working toward universal pre-school for 4-year-olds. Intermediate school increases: supplies, technology, full-time Spanish teacher, half-time social worker, a .6 part time for technology teacher. Add a Special Ed teacher and assistant at the middle school. High school increase is to add a Special Ed teacher. Administrative expenses include supplies, technology, professional development and services, Special Ed team chair for the district. In technology increase is a one-time expense for technology hardware.

**Roche** – Said it's good to an investment in ELL and Special Ed.

**Cozort** – It's a challenge, especially Special Ed because you need options for the children because no one program is a solution for all. Cited examples that have worked to help more children in the program to graduate. Most at risk are the Freshmen and Sophomores; if they have the credit when they reach 18, we will get them across the line, if they are 17 with only 5 credits they tend to quit. We need to reach into the Middle School Vocational and Alternative Ed programs.

**Grause** – Asked the total staff numbers and the turnover.

**Cozort** – Total staff is 315; 208 are teachers. Different reasons for turnover such as retirement; for some people Nantucket is not what they expected it to be; sometimes it's housing. The administrative team and leadership team have talked about recruitment; we face the same challenges as the rest of the Town. We need to look in new places for new staff, which reflects our diversity; currently it does not. Over the last year, we've hired perhaps 25 people.

The Community School budget at its lowest was \$235,000, and jumped to \$350,000, that jump was because Community School took over their own health benefits.

Cited the Island poverty index is now over 30%.

Special Ed appropriation in 2010 was \$200,000 but had to find \$350,000 from our budget. We increased our appropriation and with Circuit Breaker now meet our costs. Placement into a residential program costs between \$59,000 to \$200,000 per placement; that's why we want to develop on-Island therapeutic programs. We now have a Special Ed Stabilization Fund, which has \$250,000; at years end, we put the unexpended money into a fund for unanticipated residential costs.

Budget Development is what we hope to accomplish with this budget.

Provided an overview of the Capital Projects: campus wide master plan, \$300,000 for improvements/maintenance in all schools, a high priority is a new high school boiler, and a new bobcat.

**Glowacki** – Asked what the \$750,000 a year under the master plan is for.

**Cozort** – At some point we have to move the baseball field and build tennis courts. The next phase would be an artificial surface football field.

**Glowacki** – Asked if the \$150,000 in Technology is the one-time expense.

**Cozort** – No, the \$160,000 one-time is for replacing outdated equipment. This is for the rapid recovery, phone servers, and interactive white boards.

**Schaeffer** – Asked if \$70,000 is the average starting salary.

**Cozort** – It's actually higher; we don't bring all new hires in at the average for the district. If the position is more specialized, we pay more for someone with experience. The \$70,000 typically covers it because one comes in below and another above.

**Glowacki** – Every year he asks the same question. You've request an increase of \$1.5; if you had an additional \$1.5, what would you do with it?

**Cozort** – Among other things, we need to develop a cadre of subject coaches who not only work with students but improve the practice of staff; we'd add a remedial math teach at the elementary level and math coach as the middle school and an ELL coach or two.

**Hallett** – Stated she believes building the schools' coaching capacity will help assessment and instruction. In the future she'd like to see attention paid to dual-language programs and some technical/vocational opportunities.

**Jack Gardner**, School Committee – He believes and will be making a motion accordingly because the Middle School is in significant need of an additional math teacher; their math program rates significantly lower than other programs. He will be asking for this one additional math teacher for the Middle School. Asked FinCom to support that request.

#### **VI. NEXT MEETING DATE/ADJOURNMENT**

Date: Thursday, January 23, 2020; 4:00 p.m.; 4 Fairgrounds Road, Community Room

Motion to Adjourn at 5:58 p.m. accepted by unanimous consent.

Submitted by:

Terry L. Norton