

Approved by City Council on August 1, 2016



Joint City Council & School Board Budget Workshop Meeting Tuesday, June 28, 2016

Call to Order

Mayor Merrifield called the meeting to order in the Council Chambers, Franklin City Hall at 6:00 p.m.

In Attendance

City:

Councilor Clarenbach, Councilor Starkweather, Councilor Barton, Councilor Giunta, Councilor Desrochers, Councilor Wells, Councilor Zink, Councilor Dzujna, City Manager Dragon, Finance Director Milner and Mayor Merrifield.

School:

School Board Chair Husband, School Board Member Dow, School Board Member Brown, School Board Member Hallett-Cook, School Board Member Grimm, School Board Member Burns, Superintendent LeGallo and Business Administrator Bergquist .

Absent

City:

School:

School Board Member Tremblay, School Board Member Gargano, School Board Member Carter.

Salute to the Flag was led by School Board Member Burns.

Mayor Merrifield mentioned that he spoke with the Mayor of Dover as they are in litigation with the State about the adequacy fund and there should be hearing and a decision within a month. That should give us a good idea where the courts stand on it. It appears that Dover was challenging the 108% cap on school funding specifically and it doesn't appear that applies to Franklin but the courts could reach beyond that and make the whole school funding unconstitutional and then the State would have a problem.

At the June 24 City Council meeting Finance Director Milner did confirm that per State Law, Franklin will be receiving about half (\$4M) of State Aid than what it receives now (\$8M) which is an amount lower than before the Claremont lawsuit. Mayor Merrifield stated he is going to continue looking into the possibility of litigation with other communities because Franklin is not the only one in this situation.

Mayor Merrifield wanted to reiterate for everyone the timeline for this year's budget. The City Council will have to establish a date for the public hearing and publish a resolution describing all the areas of the budget by July 15 in order to adopt a budget that is different than the City

Manager's budget. Otherwise on July 27 the City Manager's budget will become the default budget.

Mayor Merrifield stated that the City Council had a workshop on Friday evening to discuss what they could offer to the school district to help close the gap between their budget and the revenues they have. Mayor Merrifield stated that City Manager Dragon has proposed a package that fully funds the revenue difference between last year's budget and this year's budget. The largest component of that is the City has a surplus of \$250K this year, capital reserve fund appropriation of \$147K, new taxes for Eversource's Webster station approximately \$12K, Mayor and Councilor Zink's salary, recycling and tipping fee change since budget creation for a total of \$426,000.14. Councilor Dzujna stated that at the workshop he wanted to thank the City Manager and Dept. Heads as they whittled down their budgets to get below the cap and then here they are again finding more money so he just wanted to thank them again.

School Board Chair Husband thanked the Mayor for coming up with the extra funding for the school. Last evening he stated the School Board met and they were able to find an additional \$57,793.40 they were able to cut from the budget. Based on his calculations with the money from the Council they are still \$505,199.00 different. School Board Chair Husband thanked the Mayor for his explanation on the adequacy funding and wanted to know where the Council wants to go next. Councilor Clarenbach stated in their meeting on Friday that this money brought forward is one time money and not brought forward into next year or recurring. Somehow we need to take the short term problem and address it as a long term problem as we will begin roughly \$750,000 short for next year not even taking into account of the adequacy fund that we will be losing. School Board Member Dow stated that they did speak about using the Special Education and the Capital Reserve but are afraid to use it as they won't have it when they will need it and then how do they refund it. Councilor Clarenbach did state that the Council has the ability to fund it if there is a short fall in education as the money is pooled together just as we have been trying to build up the fund balance for a rainy day. Mayor Merrifield added that when Rowell School closed he proposed to the School Board to use the \$160K to prevent the closing of the Rowell School and the money is still there. School Board Member Hallett-Cook spoke that there has been a change in the law that parents who are using opioids, if DCYF became involved in their life, they will have to prove themselves fit parents DCYF will not have to prove them unfit which has the potential to bring large amounts of children into DCYF care. Once a child comes into State care they must be tested for an IEP and if necessary provide one. There are not a lot of foster homes in this area and if this area gets hit hard the children will also be placed out of district which means Franklin pays for the out of district cost and that has the potential to be a huge hit on this upcoming year. A big concern for touching that special education trust is a large number of kids needing IEP's and being placed out of district.

Councilor Giunta stated that this is it from the Council of extra money so the question back to the School Board is, "Does that get us through this year and can you make it work"? School Board Chair Husband stated his first response is no and we are going to have to make

reductions and cuts and lose staff. His second response is that we've been talking that this is a community problem and we talk about things that don't impact the City's budget long term or shifting anything long term. All we've done is talk about the problem that will be bigger next year. There is an interim problem right now and it's raining and next year it will be a monsoon and this is a community problem. Councilor Giunta stated that the Council is not saying that and they talked at length Friday night about asking the School Board to start looking at outside agencies to start evaluating at looking to reduce costs, which is going to be a stipulation of this money. Councilor Giunta gave an example about speaking with a young man who took all his courses online rather than attending college due to costs. School Board Chair Husband stated that he is hearing that the Council has done what it can and they want the School Board to cut \$505,199.00 from the school's budget and it is a take it or leave it package and it's up the School Board to cut the rest. Councilor Giunta then stated if we all agree that \$505K is that number as the numbers have changed a lot but he didn't agree with the second half of School Board Chair Husband's statement but he did agree to the first half of his statement. School Board Chair Husband stated that we are still overlooking on how we spend our money.

School Board Member Hallet-Cook stated that an audit of all our money, City services and school, and figure out where our money is going and how it can be streamlined. She agreed with Councilor Giunta that online is how most colleges are going but Franklin can't go that route as computers were cut from the budget so they have a unique issue. We can only cut so much as we have contracts that we have to honor. It's coming down to cutting athletics and not putting an art teacher back in the elementary school and not doing for the kids.

Councilor Clarenbach stated that we have come a very long way from \$1.6M to roughly \$245K but we then have to have very lengthy discussions on how we can guide our community through some difficult times in the next several years. That needs to start, like the Mayor said in September, and it needs to be on an every other week basis or whatever it needs to be to move us forward and if we need a mediator to help lead us then we will do that. Fund balance is not something we can say for whatever, it is for a one time dire emergency.

School Board Member Dow spoke about the \$82K for the fire truck that the Mayor offered to the school and would that have to be paid back. City Manager Dragon explained that this is money that is used as a place holder in this year's budget as it takes a year to build the truck and then next year the actual lease payments will begin. He then stated that he has had a conversation with Walmart to get a grant for supplies and is also looking at a grant program through Target. He is also looking at a program called "Every Child is Ours". This is a national program for elementary children and helps with the needy for supplies, food, breakfasts at school, and clothing. Tilton/Northfield just started their own chapter and was awarded \$5,000 to help with this program from the New England Patriots. They are looking to start their own chapter or join on with Tilton/Northfield. They are researching many avenues since cutting supplies and many teachers use their own funds to buy supplies currently.

Councilor Dzujna asked the School Board if they looked hard at the administration at the SAU. School Board Member Dow stated that the SAU budget is a different budget and we have not looked at that. They were able to cut \$11K from the HS principal's salary and also voted to freeze the administrative salaries.

School Board Member Brown stated they also looked at the Health costs and were able to bring everyone on line with the same health insurance which has reduced the budget significantly. The teachers are the only ones on a different insurance as they have a contract.

Mayor Merrifield asked is there any willingness from the board or interest in the \$160K from the Special Education or Capital Reserve. School Board Member Brown spoke as an individual and not a board member but her comfort level is for \$100K in total and no more. There are buildings that need maintenance and repair and for special education if we had people come here and don't have the funds to cover the costs it would have to come from the regular education funds.

Councilor Clarenbach stated this is a long term problem and there are very few places to get additional funds. There is fund balance for a rainy day and breaking the tax cap as really the only places for additional funds. The challenge is the City has come forward with \$426K one time dollars and the \$260k would be the same thing and your budget would have to find this money next year. Based on the meeting Friday night, there are not six (6) votes around this table to break the cap.

Councilor Dzujna wanted to make sure everyone knows what the fund balance means. He explained it is a way for the City to get credit, to get bonds, and to be in good shape as a City. If any money is taken from the fund balance it is money that is not going to be there next year. He asked Finance Director Milner that if we were to take \$200K from the fund balance where does that drop us too. Director Milner stated that would drop us 10% of our current balance as we need another \$1.5M to get to our 15% as we have been slowly working towards that. School Board Member Brown asked what is the balance of the fund balance and Finance Director Milner stated \$2M. Mayor Merrifield explained that the fund balance is the rainy day fund for when something catastrophic happens that we would be able to pay the bills for two (2) months. Councilor Clarenbach explained as the fund balance goes down the Council would not be able to do anything without doing an emergency taxation and would have to send out additional tax bills for an additional reason of taxes if there was nothing in fund balance and there was an emergency. Councilor Clarenbach is not in favor of taking money from the fund balance.

City Manager Dragon gave a history on fund balance. Seven (7) years ago the Council adopted a policy on fund balance. The goal was set to meet 15% in case of a catastrophic event or revenues didn't come in as expected it would cover costs for two (2) months at the 15% fund balance number. We are currently at the 10% level and that is not by accident. That is by years of work and watching the budget. Every year at about six (6) months in we begin watching the

budget as it is never budgeted with enough money for a worst case scenario in any dept. We monitor the revenue and expenses at six (6) months in and only release what is needed to get through the next six (6) months and then as a group it is looked at what is absolutely needed and what can be released that can go back to fund balance. That is how the fund balance as we have been able to grow it, through a conservative approach.

Councilor Zink asked about the audit and asked if that money can be released. School Board Chair Husband stated that is already there as stated in the last meeting. Mayor Merrifield clarified that only a portion of it is there. School Board Member Brown stated \$150K has been released and \$100K is being held. School Board Member Brown stated that they have the same philosophy when looking at their budget and since she has come on they have frozen their budget as well to get through the year. The needs are still there even when freezing it.

School Board Member Dow asked if the Council has looked at reallocation of tax revenue and where does that stand. City Manager Dragon stated that was discussed at Friday's meeting and you will be surprised as if this year's new revenue was split 50/50 you would get \$35K more. The money that is split over these two (2) budgets is not a great big number. School Board Chair Husband chimed in and stated that he is not talking about new money he is talking about how we spend our money as a community. Has there been a look at the City budget and allocation and the entire picture to see if anything can be done. He stated that he feels stonewalled and feels that when Councilor Giunta stated that was it he felt that one part is sacred. He then stated he doesn't hear them having the conversations.

Councilor Clarenbach stated that first off the City budget was under the cap and the school budget was \$1.4M away from the cap and that's the first starting point and the numbers aren't comparable one to the other. The City Manager already cut the Dept. Heads request to get it under the cap. For the school to get it under the cap is worse than what is on the table and being offered to you tonight. This isn't a take it or walk but we are not going to take the way the firemen, MSD or police work and shuffle money over to the school that currently, in his opinion, he is not sure is providing an adequate education and that is part of the problem. This budget came three (3) weeks prior to the manager's budget going in and the school is not in a very good position but we have to get to a point where we are more comfortable and start to look at priorities. We can discuss breaking the tax cap but there will be more people upset about breaking the tax cap than there were in support for the school. Each one of these things comes with a consequence and we have to look at how do we get there but with a dwindling population and revenue on the school is a huge problem and it is a City problem. The challenge is the school's number needs to come under the cap and that would be catastrophic for the school but you have never brought that number in to the Council under the cap and that is where this challenge comes from. School Board Chair Husband stated his problem with this is the imaginary line that says this is the schools number under the cap and this is the City's number under the cap. Where is it defined by legislation the number under the cap. Where are not looking at this as a community, where looking at this a City vs school. What is to say we are spending our money the right way in the first place? We need to go back and relook at this

and see if we can do more. Councilor Clarenbach stated that what you are talking about is the percentage piece and that is only on new money. The tax cap and the way the percentage is really about is what was raised last year which includes the school portion, city portion and the county tax portion and whatever is raised locally for those three (3) entities. The percentage you are taking about is what the manager explained is the only difference. The only difference is what was raised last year and what is raised this year and it is only that new money that is the difference. The percentage of allocation is what is in each budget as it has been and you want more money to go to the school, locally raised money because the State money is dwindling. The City side, unless we start cutting services, is never going to be done in two (2) weeks. Mayor Merrifield spoke that to equalize all the money is a monumental cut to City services and unlikely to happen in two (2) weeks. School Board Chair Husband stated he didn't say he wanted to equalize but he wanted to look at it, which is a different picture. Where ever the 35/65 came from, we need to really look at that. We need to really look at how we provide our City services. He doesn't know all the answers but we really need to work on it. Everyone needs to go back and relook at things. Councilor Giunta asked if we are going back to look at \$250K or \$505K. School Board Chair Husband stated if they could go back and look at \$250K and the School Board needs to go back and vote on the \$260K and also understand once it is taken it's gone. Councilor Giunta wanted to clarify that when they met last Friday, for almost three (3) hours he thought that they wrung all the money out of the budget they could including talking about cutting services like doing away with trash pickup but there was no footing on that. So he wanted to just clarify that School Board Chair Husband was asking that the Council go back to see what they could do again.

The next joint meeting will be July 7, 2016 at 6:00 pm. City Council will meet on June 30, 2016 at 6:15 pm. The School Board will meet on July 5, 2016.

Motion to adjourn made by Councilor Zink, seconded by Councilor Giunta. All in favor; meeting adjourned at 7:13 p.m.

Respectfully Submitted,

Lauraine G. Paquin