



Finance Committee Meeting Tuesday, August 16, 2016

In Attendance

City: Councilor Giunta, Councilor Desrochers, Councilor Barton, City Manager Dragon, Finance Director Milner

School: Superintendent LeGallo, School Board Member Burns

Councilor Giunta explained what he hoped to accomplish is what has been done in the past, what they have done today and where they are going. To also establish a foundation of information and data so it can be referred back to.

Overview of school funding changes (adequacy/fiscal disparity/stabilization) - next steps legislative/legal

City Manager Dragon began with school funding and with Hill going to Newfound Franklin is losing Hill students. NH enrollment in all school districts is on the decline; Franklin has the issue of the adequacy/stabilization grant reduction of 4% each year so with all of those items it created quite a deficit in revenue. The fill that gap in revenue and make the revenue whole for the school the City Council voted to transfer \$426K for the FY17 budget. The urgent piece of this the legislative session is going to begin soon. City Manager Dragon stated that the Mayor has put out a call to action on both a legislative and possible legal action in regards to the school funding issue because over the course of twenty-five (25) years Franklin will lose \$4M in revenue for the school with the elimination of the stabilization grant for the school. Originally it was called disparity aid but was then changed and called stabilization grant.

City Manager Dragon stated now is the time to call for legislative action would help us and other communities as it is an election year and if we know what we want to ask of them it would be more effective. If we could look at the formula with Superintendent LeGallo and Business Administrator Bergquist's help to see what happened to fiscal disparity, what happened with the stabilization grant, what is happening with their enrollment and what could help solve this issue. It is important to get on the same page of what the solution might be to be more impactful if the school starts working on it on their end whether it might be the Superintendent's Association or other associations that they might utilize to lobby for these things.

Councilor Giunta asked Superintendent LeGallo if he would work with the Superintendent's Association and then the Mayor can move on the legislation front. City Manager Dragon suggested that Superintendent LeGallo, Finance Director Milner and herself meet once prior to this group meeting again to work on some formulas as to what might work. Councilor Giunta thought that is a great idea as it would be like a subcommittee.

Councilor Desrochers asked who pays for the school resource officer. City Manager Dragon stated the City does. Councilor Desrochers asked if anyone has thought about applying for a grant. Finance Director Milner stated that Chief Goldstein is currently looking into a grant to fund the resource officer.

School Board Member Burns handed out a spreadsheet that he was given from a State Representative from Northfield that was a bill that was ITL'd and killed in the last legislative session that would have restored fiscal capacity disparity which is the real problem for us. It is Bill 1630. City Manager Dragon raised another point that she mentioned at the last Council meeting as there was a senate bill put in place that was concerning and it is good that the DOE is not interpreting it as it actually reads because the senate bill would have eliminated the entire \$4M. The DOE's suggestion is to have someone clarify it in the next legislation session.

Councilor Giunta asked City Manager Dragon and the Superintendent LeGallo to meet before the next finance meeting to figure out how to move forward which would include a two pronged approach for the school and the Mayor.

Calculation of per pupil costs and how that compares to other communities

Councilor Giunta asked about the per pupil costs. City Manager Dragon referred to a handout with the per pupil costs. She mentioned that the DOE website stated Franklin was just over \$10K but the actual number is \$11,965.42. The handout shows you some other communities and Franklin is in the middle. The reason there is a difference in the numbers is because the grants are not being shown in the number that is shown on the DOE website. Finance Director Milner called DOE and asked them about it and they agreed that grants should be in the number and there are only five (5) communities that are not doing it correctly and Franklin is one of them. City Manager Dragon stated they are not saying it is a good or bad number but an accurate number. Councilor Giunta stated that during the budget talks it was brought up many times during public comment that the City Council was not supporting the schools when the per pupil costs were in fact skewed showing it so much lower when that is really not the case and in fact Franklin is in fact ahead of some of the other cities in spending for its schools.

Finance Director Milner stated there is another area that is important on the sheet and that is school tax dollars. In 1998, \$8.9M was given to the schools from the city taxpayer. In 2016, if Franklin didn't have the stabilization grant of \$4M, which is going away at 4% per year, Franklin would be at almost the same \$8.9M given to the school. City Manager Dragon stated that although there was the lawsuit with Claremont and all that effort this really shows that none of that made any difference and we are no better off today than we were in 1998. The DOE's number of \$3,500 per pupil as a cost of an adequate education is puzzling when all communities are raising local dollars to fund an adequate education which should tell them it is not enough money. Councilor Barton asked if the \$8.9M is before adequacy funding is in place or after. Finance Director Milner stated it is with adequacy funding but without the

Stabilization so with the formula we are supposed to be getting now but without the additional \$4M Stabilization we are getting right now.

Tam Feener spoke as a citizen and former school board member and chair. The SAU has audit problems and believes they still currently do. When she was on the board the funding was going through SAU 18 for all the grant revenue and that is not good accounting practices. She believes the auditors stated the grant revenue needs to flow through Franklin School District so you are not being transparent and not giving full disclosure which is bringing the numbers down. She asked when that will be fixed. She then stated they should get a letter from the auditors stating that practice needs to happen in writing. Councilor Giunta asked City Manager Dragon if that was correct and City Manager Dragon stated that Tam was reconfirming what they were saying about the grants. Councilor Giunta asked Glen Feener his thoughts. Glen Feener, former Councilor, stated there was a problem with the SAU three (3) years ago and they had a meeting with the former Superintendent and that the grants were to come directly to the City and not through the SAU and that has not been done. Superintendent LeGallo stated he will talk with the auditors and get an answer.

Tam Feener asked to suggest two ways to raise revenue. She believes in Open Enrollment and Blue River (?) to add revenue. Open enrollment and the reason why it stopped is the RSA needs to be tweaked a little and we need a legislator to make that happen.

Summary of tax rates for city & school including adequacy

Finance Director Milner spoke about tax rates and referenced to a sheet that was handed out and it shows the towns/cities. This was a sheet that was started with the students in the student government group. The students were given a few cities they had to include and then they choose the others to include on their own. Their task was to take the tax rate and amount of dollars for each piece of the tax rate (town, county, state education, local school tax) and then add in the adequate education grant and then recalculate. For Franklin it is 60.67% for education with adequacy. For the municipality it is 31.98% and for the County it is 7.35%.

City Manager Dragon stated that they did this because of the people stating that there were more dollars going to the City than the school. The reason the local tax dollar is lower to the school than other communities is because of the adequacy funding that Franklin is getting. The reason Franklin gets the adequacy funding is because there is recognition that we don't have the property base in assessed value to support the higher tax base. Councilor Giunta states that the two cities on the sheet that catches his attention is Concord and Laconia and Franklin is right in there. Councilor Barton asked if the _____ is paid to the State. City Manager Dragon stated that is the State portion of their education tax that they keep. Concord does have a lot of tax exempt property and that goes into their calculation.

Approved budget history for city and school (15 or 20yr history)

Finance Director Milner stated the third paper in the packet is the 20 yr history of the budget and explained what was on the sheet and how much the adequacy funding was saving the taxpayer. City Manager Dragon stated that during the budget process Franklin was compared to other communities with the municipal budget. You have to look at the services that are provided, the demographics and the revenues of the community you want to compare. For FY17 Franklin's municipal budget is \$11,890,774 but after revenues it is \$6,775,995 raised with local taxes. So when you are comparing you have to make sure you are comparing correctly and that is very difficult as there is really no two (2) towns/cities that all the departments are the same for comparison. Councilor Giunta asked the Superintendent to think about if the school is missing something if the City can realize \$5.1M in outside revenues, via grants or fees for services, etc. to offset the municipal budget.

Understanding school accreditation requirements

City Manager Dragon asked Superintendent LeGallo if they can learn more about the accreditation requirements and how the budget changes impact that. Superintendent LeGallo stated he would get some information for them.

Financial consolidation next steps

City Manager Dragon talked about financial consolidation with Hill and the SAU voting not to go forward with it. We are in the process of withdrawing from the SAU but we are keeping the number but withdrawing from the combination. DOE has approved the plan and it will be sent to the City Council for a public hearing. If consolidation was still of interest with the Franklin School District and the City Council then the best timing would be with the withdrawal. It probably is something that should be talked about at the next Joint Finance Committee meeting. Councilor Desrochers stated we don't really have a choice not to consolidate we have to as we don't have the money. School Board Member Burns agrees with Councilor Desrochers that the school and City needs to start working together and consolidating certain services needs to happen. City Manager Dragon stated that people often forget that consolidating doesn't just mean money and savings but it is also creates a more unified team and that often gets missed.

Councilor Giunta asked about timing and City Manager Dragon stated that October would be when the Council would have the public hearing then there would have to be a vote within 15 days but not more than 30 days later. City Manager Dragon feels it would still be good to have discussions leading up to the vote with the Joint Finance Committee so everyone is moving towards the same goal. Councilor Giunta stated that maybe they can get the Mayor to have that other meeting.

Brainstorm goals for Joint Finance Committee between now and FY18 budget process

City Manager Dragon went through the packet and what they talked about and what they didn't talk about and what is on the list for future discussion. Councilor Desrochers asked about consolidating legal services and what the cost savings would be there. Councilor Barton stated he would like to see what we can consolidate, what we can save and can it go to students.

City Manager Dragon stated that it would be good to see what changes the school had to make after the adopted budget as they don't normally get to see that. What did the school do with the money they were allocated, what decisions they had to make and how did that impact services. We also need to get a handle on enrollment and not a total number but by grade and class subjects and look at the whole picture. Council Giunta asked if on the last sheet they handed out to add a column with number of students to help with their discussions. City Manager Dragon stated that it is the school that needs to tell us what trends they are seeing with enrollment.

Councilor Giunta mentioned that maybe the school could reach out to other City Departments about how they are having success in obtaining grants. City Manager Dragon also stated if they could get a meeting with a lot of the School Board members in attendance as they are happy to educate so if they had questions it would help answer those questions. School Board Member Burns interjected that it is going to be a much more transparent budget and it is going to be presented differently this year as that is what he and School Board Member Hallett-Cook have been working on with the strategic plan. Councilor Desrochers asked if in the elementary school what the advantage would be if kids could keep the same teacher for the first four (4) years. Superintendent LeGallo stated that is called looping and that is not normal practice but it sometimes is done for the first two (2) years but usually not beyond that. Councilor Desrochers was thinking that if they had a teacher for all four (4) years that teacher would know that student and what their deficiencies are so for when they get to middle school.

Possible dates for upcoming meetings/schedule

Councilor Giunta asked City Manager Dragon to set the next meeting. City Manager Dragon will reach out to the School Board for a Joint Finance meeting in September. The initial dates talked about were 21,22,29,30 before the 29 was settled on. She will see if the School Board can meet on that date.

Motion to adjourn made by Councilor Giunta, seconded by Councilor Desrochers. All in favor; meeting adjourned at 7:06 p.m.

Respectfully Submitted,

Lauraine G. Paquin