



## Joint Finance Committee Meeting Tuesday, April 17, 2018

### **Call to Order**

Councilor Paul Trudel called the meeting to order in the Lower Level Conference room, Franklin City Hall at 6:01 pm

### **In attendance**

**Committee Member Attendance:** Councilor Paul Trudel, Superintendent Dan LeGallo, School Board Chair Tim Dow, School Board Co-Chair Deb Brown, Councilor George Dzujna, School Board Member Chris Kneeland

**Others in Attendance:** City Manager Judie Milner, Councilor Jo Brown, Business Administrator Amanda Bergquist, Councilor Olivia Zink

**Absent:** Councilor Steve Barton

Salute to the Flag was led by School Board Chair, Tim Dow

### **FY2019 Budget**

School Board Co-Chair Deb Brown began the session with a handout of the Franklin School District's Projected Revenues for Fiscal year 2018-2019. Brown requested that Bergquist walk the team through the document since she created it and had presented it to the school board when they reviewed their budget.

Business Administrator Amanda Bergquist began the review of the District Appropriation document which reflects taxes collected. The Education Tax (comes from the State Warrant, which will not change). She stated that tuition from Hill is depleting and believes this will be the last year if it is even received this year. Bergquist further explained that four years was up last year, and we may not honor sending kids here because they haven't met their credits. She continued next to Interest on the bank account, Athletic receipts (from football game fees), Services provided by other LEA (this is when an occupational therapist is sent to Hill), and Other Local Revenue (where we pay homeless transportation which is split with another district). Bergquist continued down the list to The Adequate Education Grant; provided to us as of Nov 2017. She added that sometimes in the past, it had changed but there are no changes as of today. The next item, Building Aid, will not change. Catastrophic Aid (this is for the Special Ed students). State Aid VOC Transportation is used when children are sent to Hewitt. We receive a portion of the transportation expenses from the State. E-Rate is a rebate we receive for having internet services for our students. Medicaid Distribution is for Special Ed. Bergquist

explained that paraprofessionals and teachers can file a reimbursement from Medicaid. Indirect Cost is from Grants. Bergquist continued that this is a percentage of which the Department of Education sets each year (the current year is 3.4 % of anything that we spend). It must be spent in order to receive the 3.4%. Regardless of the awarded amount of the Grant, only the spent amount is reimbursed. The Projected Fund Balance is where we are projecting to have a balance of \$160k. Bergquist continued with the Release of Reserve Audits, which should all be caught up by the end of June as there is anticipation of using that last \$100k that was on reserve in case there was an issue with the audits. She further explained that the other half of that wasn't used last year so it was released. Extra City Utilities are projecting at \$62k and Kindergarten is \$66k. Charter School aid of \$8k was received. Then Bergquist finished with Technology Trust, which is held by the City and used to update certain technology.

City Manager Milner mentioned that an additional \$93.4k was included in the Projected Revenue, which resulted from the Utilities tax rate pickup. Milner explained that \$93,411k was put aside in the Capital Reserve Fund and told the school district that it would be appropriated. School Board Chair Dow explained the largest negative balance (Adequate Education Grant) is automatically deducted at 4% a year and every single year for the next 25 years. He explained that once it zeros out, it would become the responsibility of the city to pick up the cost. Dow further explained that Adequacy is determined at a rate of \$3,600 per student (State of NH sets this). He added that when there is a decline in enrollment, that money is lost. He also stated that it's based on daily attendance and distributed 3 times a year. The last report is generally sent after the budget is passed and typically if there are adjustments. Dow explained that this year, \$87k was lost. He stated that the superintendent freezes the budget in October and then we work on a need basis. He noted that all staff must go through a BA to request more money. Last year, \$115k was lost. He pointed out that we lost over \$200k over the past couple of years combined.

Councilor Dzujna asked School board Chair Dow if there's a better way to plan for this and Dow replied that the numbers are a year behind (based on last year's enrollment). There is a bill currently being discussed in Concord (looking at the Adequacy funding process). Dow stated that it doesn't look favorable to plan on extra money this year so we're not counting on it. City Manager Milner commented that the council will need to get together next year to review. School Board member Dow shared that Senate Bill 193 is defeated so this will save the City and the School money otherwise we were looking at an additional \$25-75k loss under Bill 193. City Manager Milner asked if this could come up again next year and the School Board collectively replied that it could.

The Projected Fund Balance of \$160 (\$50k is money that was placed into a reserve to make the first payment on the roof). The Council passed the Energy project along with the roof and the \$50k will be carried over to next years Projected Fund Balance. Business Administrator Bergquist mentioned the money for the roof was earmarked and can't be used for anything other than payment on the roof. City Manager Milner added that it is a long-term debt and the money can't be used for anything else. Councilor Trudel requested clarification asking School Board Dow if the \$50k was earmarked but not used, will the money return to the city and earmarked to go back. City Manager Milner confirmed that it is appropriation request for the school. School Board member Dow stated that this will be an

agenda item on for a City Council Meeting on May 7<sup>th</sup>. The City Council will vote on whether the school can keep the \$160k for their budget.

City Manager Milner stated that this has been done previously one of two ways; during the budget process and also appropriated as a Resolution. Milner asked if the 4% reduction in Adequacy equates to 93 less children. Business Administrator Bergquist replied that there is more to the \$3600 per student. Extra money is provided for children with reading issues and free/reduce. Superintendent LeGallo stated that it's called Base Adequacy. School Board Chair Dow stated that federally, the schools are supposed to receive 40% reimbursement of what they pay but Franklin is currently only reimbursed for 16%. City Manager Milner asked if that is due to not accepting Medicaid and consensus reply wasn't sure of the reason. School Board member Dow stated that there were discussions in Concord asking about Adequacy Funding, the loss, and the affect it's having on our school district but they said it's not their problem. The committee agreed that it is the State's problem not just Franklin's.

City Manager Milner requested to move the \$62k for Utilities, up into the District Appropriation line because it's part of the beginning taxes. She also stated to move \$3,577 up to the District Appropriation line as well. This additional \$3,577 comes from \$65,577, which was the original conservative amount for projected Utilities. The new total for District Appropriation should be \$4,024,970

School Board Chair Tim Dow stated that he did some research on increases in statewide property tax and there were only 3 in the last 10 years. Franklin isn't being singled out. It's the rate ups and downs for all cities. City Manager Milner will do more research on what the cause might be.

Business Administrator Amanda Bergquist reviewed the back side of the Projected Revenues document and discussed Food Service. Bergquist stated that for the past three years, Food Service doesn't break even. An average of \$63,090.83 over the past three years has caused funds to be transferred from the General Funds account. We used to get extra funds from DC Family Services and used to sell more Ala Cart items but when the Wellness Program came down, the Federal Govt. mandated what can and can't be sold. Due to reductions in what we sell, money has gone down. Bergquist stated that a Food Bowl (which meets the Federal Nutritional Guidelines) was just created for easy grab and go, which helped increase sales the very first week of selling them and there are plans to increase production of them due to popularity with the children and adults alike. Bergquist continued by mentioning that two years ago, staff hours were cut. The school tries to help save money where ever possible.

School Board Co-chair Brown distributed the Franklin School District Board Budget Report to the committee members. The last page shows the final budget of \$15,272,335.19 (The Board made cuts of \$827,369.87). Brown also stated that \$15.2M is what the school district needs for FY18-19 to sustain what is already in place. She added that even with Revenues, there's a shortage of \$1M.

School Board Co-chair Brown stated that the School Board and Superintendent reviewed these multiple times and scrutinized every item to arrive at the presented number to share with City Manager Milner and this will be presented to the City Council on May 9<sup>th</sup>.

School Board member Dow focused on the cuts and mentioned that the budget starts every year in the negative (-\$494,548); due to the 4% loss from the State. The cuts between the State, The School Board, and the Superintendent cuts, equal \$1,321,917.87. The original budget started at \$16,099,705. Fourteen of the Forty-one items on the report are lower or the same funding as last year. Dow explained that there was also an increase in retirement (due to salaries) and health insurance increase (partly because of loss of the pool between teachers). Bergquist stated that we need to go back to the drawing board with health trust to re-value the spending. City Manager Milner stated that all the communities who have less than 100 employees are placed in a pool and ranked together. Bergquist stated that we do a good job doing the assessments on line.

School Board Chair Dow stated that the budget approved by the School Board for this past year was \$15,272,535.15; an increase of 2.4% from last year. Dow mentioned that there were three ratification contracts, teacher, and custodial also mentioning that there are no extras in the budget. He is frustrated to start each year in the negative. Dow expressed his appreciation for City Manager Judie Milner and former City Manager Elizabeth Dragon, who did a lot for the school over the last couple of years. He further noted that the City appropriated over \$900k and allowed another \$450k for special ed and a building fund. He shared an example of unplanned funding needs occur where a kindergarten teacher had to be hired last minute because of enrollment. Dow continued by stating the problem is that we are a bedroom community. He agrees that there are great things happening in Franklin, but the ratings of our education system are discouraging people from coming here. He believes this will be an ongoing issue. Great things are happening but realtors.com type sites show discouraging education ratings which will keep people from coming here. Dow researched the allocation of tax money (currently 66/34 split since 2006-2007). Prior, it was 50/50. He mentioned that there is no charter or ordinance of why the previous city manager changed the split. Also communicated by Dow is that we're in a 3% tax cap. City Manager Milner state that it's CPIU; we've been in a recession. Dow expressed that this hasn't been addressed and maybe it needs to be moved to 4-5%. Dow shared tax cap research he did on five other communities. Dow further stated that in the last couple of years, the money had been divided. City Manager Milner stated that we have a half million of uncollected money in taxes (includes the school district) but the school still gets to use the entire appropriation. Dow shared his understanding that the anticipated taxes of \$18M isn't what is collected but expressed frustration over the \$7M compared to \$5M at almost a \$2.3M difference.

City Manager Milner reviewed the numbers on the spreadsheet are for local school district communities. She stated that when looking at the numbers, consideration for the Education piece from the State of NH. There are two parts: We as a community collect on the tax bill and second is in the form of Adequate Education. When looking at the other communities and what they're receiving in tax revenue, look at those key things. City Manager Milner stated that Franklin is receiving more than the other communities in Adequacy Funding and because we receive more, we don't have to get additional money from the taxpayers. Milner mentioned The Claremont lawsuit of 1999. It's not

apples to apples when looking just at the local piece. Dover has the same per student dollar amount as we do. They collect more in taxes because they receive less in Adequacy and why we have Stabilization going away. Dover has been able to educate their children with a higher tax rate and lower Adequacy. School Board Chair Dow understands that we are a poor district and compared to Berlin they are closer to the tax revenue and yet they have low adequacy. Dow expressed desire to work together to find a way to close the gap. This hasn't been discussed since 2007 when former City Manager Gregory Doyon made the adjustment, but no-one questioned it. The \$500k loss from the State needs to be looked at. Dow suggested a 2% increase per year till we get closer to the tax amount. The City Council and City Manager need to discuss this. School Board Co-chair Brown stated that with the 4% going away each year, it is being put back on to the tax payer, but the school isn't receiving any of those funds. Brown further expressed the need to address all components of The City as a whole and not just the school district.

City Manager Milner discussed the two pieces: Stabilization Loss (previously called Disparity). The Legislature of 2012, changed the Disparity to end it by calling it Stabilization to keep everyone at the same adequacy education level. We're all working to get this reversed. Milner stated that the Council will take lead in suggesting that be on the agenda soon to bring it to light. We have to mitigate 4% \$160K from the original number per year. The economic development here is putting in \$500k in taxes for us to split. Milner further explained that we are spending \$92k to get \$500K in additional tax revenue when the project is complete. She stated that these things will add up. We are not ending there. The other piece of this to address is the reduction in Adequacy. We may not have the same categories. City Manager Milner concluded that the average daily attendance has gone down but the budget stays the same, so we need to figure out a way to look at this operationally and as a group.

School Board Chair Dow shared a few of the increasing expenditures: Special education increased (it must be provided when the need arises); future planning can't be done. Dow mentioned that on a couple of occasions, students with hearing needs was provided. It costs \$25K per student and the school does not get reimbursed for this. In 2016-2017, thirteen staff members were cut and last year another five and a half were cut (including three in the administration office). Dow expressed that along with a reduction in students, staff has been reduced as well. Also, classes offered have been reduced all while special education has increased. People thought the SAU (HILL and Franklin) costs were higher but costs were reduced by \$500k.

School Board Chair Dow further explained that by law, we must provide transportation up until High School. There's only one bus company and due to our contract ending, we are negotiating (we've seen an increase of 5% over the last three years). Winnisquam is paying 9% the first year and 12% the second year. Special Education Transportation was level funded this year. Another example of increasing costs, Dow shared that the cost of educating our children increased by \$500k. Book costs rise, equipment is needed. And new programs such as Math at the High School were cut by over \$30k.

School Board Chair Dow realizes that revenue will come back from the energy project. City Manager Milner asked School Board member Dow if that will be used as a onetime revenue. Dow is not sure. It is expected that a payment would be made with it and other savings will be looked closely into.

Because of the building usage, more energy savings is expected. Dow further explained that Special Ed was cut by \$300k so if something happens and it's needed for Special Ed, we must come to the City because Special Ed can't be denied. It's Federally mandated. School Board Co-chair Brown discussed that when talking about a reduction of students, it isn't in one place. Superintendent LeGallo stated that by May 11<sup>th</sup> there is a need to know what the bottom numbers will be otherwise there will be more layoffs. Three years ago, twenty five people were cut. Twelve returned. Last year, this was brought to City Council early and only 5 people were laid off. If nothing is done now (between now and May 11<sup>th</sup>), 18.5 positions will have to be cut. There are two more opportunities to talk to the City Council. We will present this budget on May 9<sup>th</sup>.

Councilor Trudel asked School Board member Dow, what are the projected needs for next year. Dow responded stating each year begins 4% (\$500k) behind every year. Superintendent LeGallo would like to see a solution. Some money will reduce the bond by \$100K out of the budget. There's another bond up in 7-9 years. Middle school roof wanted to be added to the energy. Retirements increase and will hit next year. City Manager Milner mentioned the Bill in Concord which used to be that the State funded 35% of the rate for teachers, certified police officers and firemen which costs the city almost \$200k a year from picking up the 35%. She explained that we don't have a choice on this. The State promised that they would pay the 35%. Dover and Bedford sued the State on this. We don't qualify to do this because they give us more money. Dow commented that it costs an average of \$12K per student in high school and goes down from there. The State average is \$15-16K per student. City Manager Milner mentioned that when looking at the numbers on the DOE website, the comparison isn't apples to apples. We must look at the programming in place and the number of special ed students. There's a formula that the DOE uses to figure the per student cost. Milner stated that there is a school district where the average student cost is \$27K and they bring the averages up. Dow stated that something needs to be done.

Councilor Dzujna shared that the 6 years he has been on, he has seen it increase every year. He understands what the school is up against and that we can't compete with Bow and Dover. Councilor Dzujna thought it was 62/38 during the last few years. He is concerned that when that perception gets out there, hearing the wrong numbers is not good and it has to change. It's been 62/38 the last two years, increasing Utilities and split it for the beginning balances for each year. Dzujna asked City Manager Milner what it would take to make up the 50/50 split. Milner responded stating about \$47K this year. Dzujna explained that if there were currently a 50/50 split, it still wouldn't come close to the \$1.3M. To fill the \$1.1M need, City Manager Milner expressed that it would mean catastrophic cuts for Fire, Police, and mean a 20% cut of the workforce. Councilor Trudel stated that even with a true 50/50, next year we'd start the year \$500k short to start so this will be visited again regardless of how money is spent. School Board Co-chair Brown added that if it may lessen the impact each year if we did a gradual 2% increase to lessen the impact each year. At least the budget would be moving in the right direction. Is it time to look at the CPU to gain some money. The Council must vote to change the tax cap to gain additional money. City Manager Milner expressed that the Franklin Community can't handle a tax increase.

Councilor Dzujna remembered when Bessie Rowel School was in the hole \$1.3M and the only way to address this was to close the school. This was about 5 years ago, and nothing has changed since. Closing the school didn't fix anything. School Board Chair Dow stated that the City is losing money under the tax cap. Other tax cap cities are hurting from it too. Tax Caps are not helping, it's doing the opposite. City Manager Milner commented that there are no plans to increase multi-families downtown.

School Board Co-chair Brown distributed a Budget Accreditation Report that was made public last night at a school board meeting. The New England Association of Schools and Colleges (NEASC) awarded the Franklin High School, continued accreditation. However, the committee expresses the alignment to the Standard on Community Resources for Learning. Brown highlighted the statement where it's written that the community governing bodies don't provide dependable funding. For this and other reasons, FHS is currently on warning. She stated that we need to try to gain the funding to bring these whole. An update and plan to address will be submitted in the fall. City Manager Milner expressed concern on the statement that the district governing body isn't providing dependable funding but when referring to the tax funding, it goes up every year. Downshifting costs are non-dependable. The dependable funding is coming from the City and local community. All downshifting costs are affecting all of us. Milner stated that we must figure out how to make this stop as a community. Little changes over time can be made. School Board Chair Dow sympathizes but we can't go backwards every year in education funding. We currently can't fulfill some of the requirements for graduation. We send some students to Winnisquam and they do the same. We have to do these things to get creative to help students meet requirements. City Manager Milner supports thinking outside the box and getting creative. We have to.

School Board Co-chair Brown shared that the complete report is on the website. Councilor Trudel stated that several people have already commented on information in this report. City Manager Milner asked how this same report compares to similar communities. School Board Chair Dow replied that Winnisquam hasn't received their report back yet and It's only done every 10 years.

School Board Chair Dow pointed out that we've been on education accreditation probation before and we no longer have that status. This is a positive thing. Building and teacher issues have been turned around over the last 5 years. We are changing how we teach and new programs are coming next year. This will help even more. People look for accreditation in our schools. Colleges are looking at competency and project-based work from students. We are signing another contract with Huot Technical School to give us a vocation piece.

Councilor Dzujna asked if the \$16M from the budget was a need or a want. Superintendent LeGallo and School Board Co-chair Brown stated it was a need. The \$800k that was cut (was cut in half by the School Board and the Superintendent). School Board Co-chair Brown said that \$300k was from Special Education. Some of the \$800k are positions already affected. The shop teacher position from the middle school was put in and removed right away. A counselor at the high school was cut. Also, a speech pathologist we cut as well. Dzujna stated that Project Aware has maybe another year left. This will be another issue coming. School Board Chair Dow stated that there are no grants for teachers.

Whatever grants we get will help pay for safety grants or updates that are needed. If we didn't get these grants, we'd have to add this to our budget. Dow stated that Business Administrator Bergquist and City Manager Milner are doing a great job keeping up to date on these Grants. Grant writers are needed. We were happy when the City Council gave us \$2M to fix the roof and for energy upgrades. Dow further expressed that he is looking far outside the box.

City Manager Milner closed the discussion speaking about her fun visit with the 6<sup>th</sup> graders at the Middle School last week. She truly enjoyed her time talking with them. Once student asked Milner if the White-Water Park will be free, then how will we make money? Another student wants us to organize a Hopkinton like fair in Franklin. Such great questions and suggestions!

Next steps: City Manager Milner will be working on the budget first and called out that we are \$227k over the tax cap. There's nothing left in the reserve funds. We have more work to do. She needs the Grant number from the school district so the budget is presented like last year.

The School Board Will present on May 9<sup>th</sup> and a projector is needed for their agenda Item.

Motion to adjourn was made by Councilor Trudel at 7:54 pm and seconded by School Board Chair Dow.

Respectfully Submitted,  
Audrey Lanzillo