

**Joint Finance Meeting
Council Chambers – City Hall
October 23, 2019, 6:00 p.m.**

City Council attendees: Councilor Kathy Rago (Chair), Councilor Paul Trudel, Councilor George Dzujna.

School Board attendees: Chair Tim Dow, Deb Brown, Chris Kneeland

Others in attendance: Superintendent Dan LeGallo, Business administrator Jefferson Braman, Finance Director Frank Lossani, NH Department of Education Commissioner Frank Edelblut.

Councilor Rago Opened the meeting at 6:00 p.m. in Council Chambers

Commissioner Edelblut thanked the committee for inviting him tonight and he began with walking through the current legislative process and explain what is currently available to municipalities and school districts for education adequacy. He provided the details of what has been in place for some time and what changes have taken place recently. He then stated that he could answer some questions at the end of his explanation.

Rago stated that she would also like to open it up for approximately 30 minutes so people could ask Commissioner Edelblut ~~Director Lossani Frank~~ questions after wards ~~the agenda~~.

School Board member Deb Brown asked if the agenda could be amended to add the Commissioners discussion. Rago suggested including it under other business.

Motion made by Councilor Dzujna to move Other Business under Agenda item V to the beginning of the agenda. Seconded by Councilor Trudel.

All in favor. Motion PASSED.

Agenda Item V.

Other Business

Commissioner Edelblut explained that education funding is made up of a variety of different components. He stated that base adequacy under the old formula is the same under this new formula and that It is an inflation adjusted amount. For each student, we're getting \$3,709. He continued to explain that we then receive differentiated aid based on different components. One of these components is, if a student qualifies for free and reduced lunch, you receive \$1,854 under the funding formula. Some families are hesitant to sign up for free and reduced so they don't self-report as free

reduced. He further explained that this last year, families from HHS were identified and those that were receiving various aid programs, would also qualify them as free and reduced. About 2000 students across the state rolled right into your funding formula. Another \$4 million of adequacy funding that went out to various communities based on where the additional students were found. In addition, for an English language learner, the City gets an additional \$726 under the statute for that student. And finally, if a student is deficient by scoring low; a one or two of the statewide reading assessments, then that student qualifies for \$726 of funding in that funding formula for those students. He stated that looking across the state and depending upon the community, it ends up being about \$5,200 per student when you add up all those various differentiated aid numbers from state aid coming into the community.

Edelblut discussed kindergarten next which was affectionately referred to as the Kenogarten. The state paid 50% for students who were in kindergarten. That means it would be 50% of that base amount, generally referred to as \$1800 but a little bit more because it's adjusted for inflation. The state basically guaranteed an additional \$1100 per student. Then to the extent that Kenogarten was over that number that was funded towards that as well and added in the new budget. Edelblut stated that Kenogarten was repealed and now kindergarten is fully funded based on the same adequacy grants that he just described to the group. Edelblut pointed out that adequacy payments are paid based on last year's count to figure out what this year's payment is going to be. Districts that added kindergarten this year, won't get the Kenogarten money nor will they get adequacy because it is based on last year's numbers. Stabilization grants under the old formula in 2020 would have been at 84% which would have amortized down in 2021 to 80%. Those have been restored to 100% so both in 20 and 21, the stabilization grant funding to the communities is going to be at 100%. This is going back to three or four years ago in terms of the numbers that the City was receiving at that point in time. This will be the biggest differential that most communities will see hitting their budgets. Edelblut stated that he didn't know if this is the case here or not but that it is a big change.

Edelblut continued to explain that additional funding will be based upon fiscal capacity and other disparity types of formulas that the state has in place. The state won't know the amounts of this new one-time money until the beginning of the year census which the state won't get until November 1 where the final census is then calculated. He explained that nothing really shows up in 2020 but makes its appearance in 2021. Using the same eligibility criteria for free and reduced students, \$87.50 up to \$350 will be added in per free and reduced pupil based on the municipalities free and reduced percentage compared to the total pupils. What is important to note is that that is one-time money that we will receive in 2021 during session law which basically means that it expires and at the next biennium, it will not be there. Whereas all the other funding formulas that Edelblut described are in current law which means that they will continue on barring any legislature changes.

Edelblut then explained our fiscal capacity. This basically provides one-time aid up to \$1,750 per pupil based on the municipalities equalized valuation per pupil. Based on a sliding scale, which, if the equity equalized valuation per pupil is less than a million dollars then it ratchets itself up to the \$1,750 which is the maximum that the City could potentially get. This one-time funding will only be available in 2021 and doesn't exist after that. So overall, Edelblut's guess is that Franklin is estimated to receive ~~an additional~~ about \$8.8 million.

Business Administrator Jefferson Braman stated that he estimated \$7.6M for FY2020.

Edelblut stated that his own numbers are estimates as well and instructed the group to stick with Braman's number for the base number because the state didn't have all the information yet. The important piece here is trying to estimate how much is one-time funds. Edelblut stated that it looks like approximately \$1M appears to be one-time funds. He urged the City to be careful of how that is spent. The Stabilization grants were put into law. So that's different than the session law.

City Manager Milner asked Edelblut if this will be on the same spreadsheet as the stabilization spreadsheet that's on the state's website and will it be included so the City will have to figure out how much the one-time amount is.

Edelblut replied that no it wouldn't be figured that way. The state is going to do the calculation and create a spreadsheet so the City will be able to see what that number is. Dan and Chair Dow will likely receive a certified letter that they will be required to sign which indicates this is one-time money so there will be no confusion in two years. It will be clear which piece is one-time and which piece is law.

Edelblut further shared that another piece that is coming through, which is not school specific but is somewhat driven by school activities, is the municipality aid. Municipalities are going to get approximately \$230K for two years. He stated that this is an outline as to what the funding formulas look like across the state in terms of the different components.

Edelblut asked if he provided too many pieces of information. Councilor Rago stated that she thought it was great and just trying to digest the spreadsheet of information.

Councilor Rago referred to a spreadsheet that contained the new ongoing and the one-time infrastructure estimated amounts. Edelblut stated that there were about 450 budget iterations that were done and he wasn't sure which exactly Rago was referring to but Rago believed it was circulated by the governor's office. Edelblut advised Rago to be a bit careful in terms of what iteration she was referring to and stated again that his best 2021 estimate for Franklin's one-time money is approximately \$1M.

Councilor Rago asked if Commissioner Edelblut or the department had suggestions how the money should be spent.

Edelblut replied that it would not be recommended to ramp up stuff that will be ongoing. Think about one-time projects that have been hold that need to be done. He suggested looking at training of educators, investing in technology resources however realizing that certain technology has a relatively short lived life depending upon the type of technology, possibly looking at the Wi Fi in the buildings and upgrade if it's terrible, or even looking at transportation where a small van could be purchased instead of outsourcing a large bus which would be more efficient and more accessible if there was something smaller.

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Rago asked if he would not recommend use of these funds to go toward hiring new staff. Edelblut replied that they would be temporary and that person should know that coming into it. He stated that it wouldn't be a prudent use of those funds if the intention is to hire an ongoing staff.

Rago then asked if those funds could be used to replenish certain reserves. Edelblut replied that yes, it is the City's money to use as needed.

Councilor Trudel asked if there were any restrictions. Edelblut replied that to his knowledge, there is none.

Councilor Dzujna thanked Edelblut for coming tonight and explaining all of this. Dzujna stated that all of these matrixes coming out are confusing and appreciates Edelblut clearing up the confusion and answering questions.

Chair Tim Dow commented that the school has lost teachers over the years because of loss of adequacy and stabilization funding. Dow asked if using these funds to bring them back would be a proper use of these funds.

Edelblut replied that stabilization is in law so if you were to assume that stabilization is going forward, that they have put in continuing law so it's really around either fiscal capacity aid and that additional differentiated aid that are clearly in session law so the legislature would have to act to specifically to reenact them as opposed to the stabilization changes to restore stabilization into the funding loss. This has would have continuity in it. Edelblut continued to state that there are some mechanisms in here that are ongoing and set for kindergarten funding that is in law. If the school is saying that this funding stream will be used on an ongoing basis, that doesn't seem like an improvement. Even though stabilization has been reenacted at this point in time, bear in mind that it was taken away at one point so there's never a guarantee it will remain.

Dow replied that he understands but doesn't know if he fully agrees with the explanation.

School Board member Deb Brown stated that as board members and being elected officials, it's their responsibility to look at all those things with the superintendent, administration, and business administrator to then make those determinations. Edelblut agreed that it is up to them to decide how to spend the money.

Rago stated that she had another question on the infrastructure. Edelblut responded that the state isn't doing infrastructure grants and that is was one of the original scenarios that happened to be floating around for a while. That is now off the table and now it's coming through under the fiscal capacity aid disparity. He stated that there's nothing that's specific to infrastructure, it's just funding to the districts to decide what to do with it.

Rago stated that the only difference is the municipality piece and Edelblut replied that she was correct. The municipality can expect an estimate of \$230K the first year and \$230K in the second year.

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City Manager added that this is also one-time money that is based on the fiscal disparity and similar formula. Edelblut stated that she was correct and that estimate could potentially change in year two.

Councilor Trudel asked Commissioner Edelblut to clarify that the City could receive from \$87.50 - \$350 of one-time funds for 2021 per qualified free and reduced student.

Rago added that since the school is over 50% of free and reduced students, Franklin will probably receive the higher end if not the \$350 per student.

Business Administrator added that this is the number basis of his estimations. Edelblut also added that this is part of the one-time funds as well.

Councilor Testerman asked Edelblut about the \$10M that was appropriated for special education but then wasn't used so the state received it back. She asked if that money was part of this new funding. Edelblut responded that no, that was federal grant money and not part of this. The money discussed tonight is at the state level.

Edelblut stated that the school districts received an additional grant back in May or June.

Testerman then stated that home schooled students are required to achieve 40% on a standardized test after a certain period of time. Edelblut added that if they don't, there are options as opposed to being sent to public schools. Testerman asked if the 40% passing grade is on the NAEP NATE Scores? Edelblut replied that NAEP NATE scores are scores the students achieved and not the same as the proficiency level. He then explained how the proficiency level is determined.

Rago asked the committee if anyone had any more questions for Edelblut on the Financial piece. There were none. Everyone thanked Commissioner Edelblut for coming in and explaining the current funding from the state. He thanked everyone and stated that he would come back anytime to talk with the committee.

Agenda item I.

Consider the minutes for the April 16th 2019 Joint Finance Committee meeting.

Councilor Dzujna moved to accept the minutes for the April 16th Joint Finance Committee meeting. Seconded by Deb Brown.

- Rago stated she would like to group to consider the following changes to the April 16th meeting minutes: 1st paragraph, remove the word "ACTUAL" next to 2018-19 Budget. It should read only BUDGET 2018-19.
- Indicate that Chairman Dow left the April 16th meeting ¾ of the way during the meeting session and did not return.

Councilor Dzujna moved to accept the minutes as amended. Seconded by Councilor Trudel.

5 in favor. 1 opposed. Motion PASSED.

Agenda Item II.

FY20 Budget Status

Rago stated that the reason she asked Commissioner Edelblut to attend tonight was so he could explain and make recommendations on the use of the funds coming in from the state. She stated that the school is at 96% of their budget, right now. Business Administrator Jefferson replied that she was correct.

City Manager Milner explained that the City has had a challenging beginning of the year. She stated that the vehicle maintenance budget, as expected, is maxed and at \$140K budgeted. She continued to state that there was something in the budget for a vehicle rotation program with the Municipal Services Department. That was a leftover from a bond that had expired. That program no longer exists. It was too good to be true back in the day and no longer exists. Therefore, the City had to look for other funding options to lease vehicles. However, as the Council knows, the grader machine is down because we did a lot of grader shimming and the 1982 grader decided that it had enough. So we did have to get a grader and a few more vehicles with that appropriation. Milner stated that she hopes the one-time revenue coming into the City after setting a public hearing during the November meeting for December. She stated that she hopes this one-time revenue for FY20 will go to the rest of the municipal services fleet that needs to be replaced. For FY2021, the funding coming from the state may not be \$230K based on the same census that Jefferson has to wait for. Therefore for FY 2021, Milner would like to earmark in the budget to the \$1M Dispatch Project because that's going to be a is going to be obsolete in FY21. This funding will more than cover the first phase of the Dispatch Project and the remaining money will be put aside for the second phase. Milner noted that Franklin does dispatching for five other communities as well.

Milner shared with the committee that she found out today that the county portion of the taxes is \$102K higher than expected. City spending will need to freeze because of the Tax Cap. To address this, she stated that the City will be lower by that amount on our tax rate setting to make up the difference. Milner added that this is the first year that salt has not increased and actually decreased \$1.50 per ton. She is hoping that the number that we put in for snow is going to be accurate. However, the City is over on the maintenance budget.

Business Administrator Jefferson Braman shared the challenges the school is dealing with right now. He spoke with the Special Education Director today and waiting for information from Compass Academy, which could take it way over budget. Bramham stated that there is \$126K left in the Special Ed Budget Account and the school may get hit with out of district costs which are approx. \$150K per student.

Braman continued to state that last year, the school only has \$653,000 on obligated and that's getting used up very quickly. Special Education is already over budget and the biggest variable. There are still more students that we're trying to identify with transport in or out of District costs.

Braman shared that maintenance costs have had some challenges but being addressed with the new facilities director and maintenance person. The Energy Efficiency Project brought a lot of things to light as far as the quality of the HVAC system and valves.

Braman continued to explain that security is also being reviewed. An example are the barriers in front of the school windows that were placed there so someone can't drive their car into the school.

City Manager Milner suggested speaking with Municipal Services Director Brian Sullivan because the City has a stockpile of enormous rocks and things that can be used as barriers. Braman replied that they can look at things that are aesthetically appealing but can stop a car.

Rago asked the committee if there were any further questions or comments on the FY20 Budget. There were none.

Agenda Item III.

FY21 Budget Discussion-timeline, challenges & solutions

Rago stated that she was curious about a few things and wanted to discuss a few ideas that she has. I know City Council will meet on November 4 and we're going to be voting on the \$843K breakdown. Since the City is going to receive an estimated \$1M one-time funds, would the school consider giving some money back to the City so they can give it to Police, Fire, and Municipal. The City had taken money from capital reserves in FY17: \$413K, FY18: \$473K, and FY19: \$424K to make the schools whole.

Rago also mentioned the school's facility and special education reserves only have \$2K in each and saw that the school is adding \$80K each but her concern is our aging buildings and how special education can easily break the budget. She asked if the school would consider putting \$250K into a Special Education Reserves account.

Superintendent LeGallo clarified that the \$~~80K 2K in "reserves"~~ is actually ~~called~~ Facility repairs not reserves.

Rago continued stated that she sees \$35K going into unanticipated special education costs. Those are costs for this year. Braman stated that the \$1M coming from the state will be used in next year's budget.

Rago then shared the schools concern with needing to hire teachers back but the concern is if it will be sustainable.

LeGallo commented stating that the school faces this every year. Grants run out and sometimes financial issues arise. He added that this is nothing new and deal with these scenarios all the time.

Rago asked the school board representation tonight to consider sustainability during the contract negotiations that are occurring now .

Councilor Dzujna stated that Rago hit on many of the things on his mind and also mentioned that one of his biggest concerns this year are the three contracts that are coming up. He asked how that will be incorporated into the upcoming tax cap budget and also asked what kinds of problems are anticipated from the school.

School Board member Deb Brown replied that the question could not be answered at the moment because they are in discussions with each group and will be a little while before it comes forward. She added that it's also part of the budget process and goes before City Council as part of that process.

Chair Dow asked City Manager Milner what would happen if the City Council did not appropriate the \$846K to the schools. Dow was referring to Resolution # 10-20 scheduled for the upcoming City Council Meeting.

Milner stated that she would look into that. Dow stated that he believed he read that it could only be used to offset taxes. Milner replied that it is adequacy funding so it should be coming and she is still assuming that the school will receive it because it automatically comes into the General Fund from DOE. Dow further explained that he would like to know what would happen if the City decided to appropriate only some of it to the school. Milner stated that she would look into Dow's question and let him know.

Rago stated that Deb Brown emailed her a couple of questions. One question was asking what the purpose of these finance committee meetings are.

Deb Brown would like to understand the difference between a Joint Finance Committee meeting and just two groups meeting. Joint Finance Committee meetings discuss all budgets not just one and she would not be able to make that commitment to each of the departments.

Rago replied that when she became Chair of the Finance Committee, she wondered why the committee was not meeting with the school more often and only right before budget. It seems like everyone feels contentious and nobody knows what's going on. She added that it made more sense to hold a quarterly meeting so learn where the City is in their budget and where the school is in theirs and share what all of our challenges are. Rago stated that this was her intent and come January, the group can decide to do it differently.

Milner stated that she has been working for the City for almost 11 years now and the Joint Finance Committee was always to get a feel of where each of the areas are in their budgets, where are the challenges, and maybe share suggestions to help each other by working together. The taxpayer pays for both of our budgets. In the past, there were certain areas that were in more need than others. At one time, there were some problems with the fire station so the City was more focused on that. But lately because of the stabilization bleed, the school has had more issues than we have with the downshifting. Milner stated that she has a chart that shows that more as being downshifted to the school now. She stated that the group has always talked about both areas but it's been a little bit more school focused lately because of stabilization.

Milner added that the same accounting rules apply to both areas too. In the beginning, the City had to implement what was called GASB 54 which is a new way of doing fund balance. Since we issue joint finance statements due to our relationship, it makes sense to meet to talk about them.

Deb Brown stated that she was just looking for some clarification. Councilor Trudel stated that he in agreement with Deb and although he is also new to this committee, it does seem a bit one sided. He also stated that it's "easy" for the school to come to City Council and say they need more money but where does the City go when the City needs more money. If this is a Joint Finance Committee then both sides of the coin should be presented and not just focus on the school's needs and finances. He continued that the municipality side needs to be considered as well which usually only get presented at City Council. He thanked Deb for bringing this up.

Councilor Dzujna stated that the one-time money is going to be dedicated to the Police department, because of the dispatch system. He wasn't sure if the school side has heard about what the police chief has spoken about but it will cost \$1M to upgrade the whole dispatch system for Franklin who also supports five other communities. Lives would be lost if this is not done properly.

Rago stated the other thing she wanted to mention was that the City departments are having monthly public workshops to learn about each of the department's needs and what they're trying to do to make the budgeting process easier. Everyone is welcome to attend.

Councilor Dzujna stated that the last workshop where Police Chief David Goldstein presented was an eye-opening experience. He talked about police fatigue issues due to overtime. There's so much that needs to be done that the overtime is necessary.

Agenda Item IV.

Rago then discussed collaborating on purchasing. There was a School Liaison Meeting and a discussion held on possibly collaborating on office supplies, maintenance, and health insurance.

Councilor Dzujna believed consolidating paper in general such as toilet paper was also part of that discussion.

City Manager Milner stated that the agenda also says Collaborative Legislative Initiatives and probably could have asked the commissioner when he was here earlier. Part of the budget process in Concord is to study the formula. The Mayor's School Board Chair, City Council, the School Board, the Superintendent, and the City Manager should be together heading down to Concord as a united front. Berlin would be right there with us. We should testify to get the proper formula in place as many times as possible. Even if it means bringing back the state portion of retirement which affects both the school and City budgets.

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Councilor Trudel mentioned that heard conflicting reports on the consolidation of services within the City and the school which was voted down by the school board. He asked if that was correct. Deb Brown replied that it was a correct statement.

There were no further questions or comments from the committee.

Motion to adjourn was made by Deb Brown. Seconded by Councilor Trudel.

All in favor. Motion PASSED.

The meeting adjourned at 7PM.

Respectfully submitted,

Audrey Lanzillo