

Approved by City Council on August 1, 2016



## **Joint City Council & School Board Budget Workshop Meeting Monday, July 7, 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 Carter, School Board Member Grimm, School Board Member Burns, Superintendent LeGallo, Business Administrator Bergquist .

### **Absent**

City:

Councilor Boyd.

School:

School Board Member Tremblay, School Board Member Gargano.

Salute to the Flag was led by Councilor Desrochers.

Mayor Merrifield wanted to report that in addition to having school funding conversations with the City of Dover and the City of Nashua the Chair of the Select Board of the Town of Northfield has now contacted him. They have done extensive research and are just as concerned as Franklin is and they are interested in joining in on any legislation or litigation if need be. The Mayor encourages the school community to reach out to other school districts that are having the same issues with funding as Franklin is having.

Mayor Merrifield stated that the City Council met last week and embraced unanimously to extend the \$426K funding that was identified at the last joint workshop. They would also be willing to entertain discussion about the \$160K in the Special Education Trust Fund and the \$100K in the Capital Reserve. The Council received some results from Superintendent LeGallo based on the School Board's meeting.

School Board Chair Husband stated that they are currently off \$235,380.00. This includes taking the \$160K from the Special Education Trust Fund and the \$100K from Capital Reserve leaving them nothing left in either account.

Mayor Merrifield reminded everyone about the deadline of July 15 for the posting of the public hearing otherwise it will go to the default budget.

School Board Chair Husband stated that he did some studying and our tax rate from 2009 to 2015 the City received a gross number of \$1.17M and the School District received local tax dollars of \$415K. Local State Education money went down \$230K during that time frame and County tax dollars went down \$23,372.00. If we had new tax dollars of \$1,330,733.00 and if we were using the 65% ratio that we were using before, the City would only have received \$864K but they received \$1.17M. It seems that as some of these came off they were only going to the City side. It seems that for the past seven (7) years we have been facing this and I am asking for help. Although we have been highly criticized for what has happened in the past but we can't make up for that we can only move forward. We have a severe problem with our revenues and how we allocate our tax dollars. If you take the -\$230K and the \$415K that is only \$170K we have put towards schools and we have put \$1.17M to the City. Mayor Merrifield asked if that is the total since 2009. School Board Chair Husband stated that is taking the rates and using the percentages and we have increased \$1.33M.

Councilor Wells asked the School Board what they did at their last meeting to close the gap. School Board Chair Husband stated they decided to take the \$160K and \$100K and then there was discussion and clarification from the Mayor about this money and the Council's position. Councilor Wells then proceeded to say that the \$426K closes the gap on the income side and the \$426K makes up the deficit that the State created on the revenue side.

School Board Chair Husband then asked if the Council has to vote on the school taking the \$260K. Mayor Merrifield stated that is correct and it needs a 2/3 vote to pass. School Board Chair Husband stated that was a misunderstanding on their end. Mayor Merrifield stated that when funds are in capital reserve they have to be voted on by the Council to be released. School Board Chair Husband stated he would like that to be done now then as they have no other way to close the gap. School Board Member Brown stated that capital reserve funds normally have a certain purpose and how would the release work and what would the requirements be. City Manager Dragon stated that a public hearing would be posted and then they would change the use of the funds which is called a supplemental appropriation of use for the new funds. School Board Member Brown stated that the Council could not vote on this until the next meeting on July 25. The July 15 deadline would not work because you would not authorize that \$260K until after that. Mayor Merrifield stated that once the public hearing has been noticed and sufficient time has passed and you have the public hearing than the action can take place. On the 25<sup>th</sup> you would have the public hearing on the entire budget package. School Board Member Brown then asked if it is an additional public hearing for this and then a

regular budget one. City Manager Dragon stated it can be handled both ways as part of the budget process or separately.

Councilor Wells stated the City has managed to close the gap on the school's income side by \$426K, what is the school's plan for next year when the gap is bigger or do you have a plan. School Board Chair Husband stated that he thought they have been discussing that since the beginning but that is going to begin when these meetings are over. The issue hasn't been addressed as they have only used one time funds and not City taxes to address this issue. School Board Member Hallett-Cook mentioned that they will begin looking at the strategic plan and how they will redefine education, how they will streamline some things and redistribute some funds as they can't lose any more teachers. They are going to look at how and what the community believes they need is a strategic plan and what are their strategies.

Councilor Desrochers stated that he read that the State Lottery after expenses is supposed to go for education but only 26% can be traced as going to education so where is the rest of the money going. There are ads for Maggie Hassan that states the State has a \$62M surplus but where is the money if they keep cutting funding to cities and towns.

Mayor Merrifield stated that the Stabilization Aid, of what we get roughly \$4M, is essentially replacing what was called Fiscal Capacity Disparity Aid under the prior funding formula for education in NH was to help communities like Franklin who had more pupils than properties available to tax. Communities that had a low property value per pupil you were given a large amount of aid by the State. The formula now is strictly per pupil and there is no differentiation on your ability to raise taxes for education and that was the basis for the Claremont lawsuit and it put that burden on the Legislature.

Councilor Zink asked what number are we at and is it the \$15,034,388 or is it \$15,304,388. School Board Chair Husband stated it depends on what happens with the \$260K. Mayor Merrifield then stated he felt Councilor Zink is asking what number is the School Board at above that as there is still a gap. School Board Chair Husband stated if we get the \$260K then we are \$235,388 difference still. Councilor Zink then asked what the total budget amount be then. School Board Member Hallett-Cook stated the total budget number would be with the \$260K the \$15,304,388 and you would need to subtract the \$260K from that if not. Councilor Zink then asked if the \$235,388 above and beyond that and School Board Member Hallett-Cook stated yes. Councilor Zink then asked what is the number in the manager's budget. School Board Member Brown stated she believes it is \$14,618,374. Finance Director Milner stated it is \$14,377,673.

Councilor Giunta stated that there are two (2) options we can go with the default budget or go with the budget as it stands. He made a motion.

**Motion:** *Councilor Giunta moved that the Franklin City Council set a Public Hearing on Monday, July 25, 2016, at 6:05 pm on Resolution #01-17 relating to appropriating the FY17 City budget. Motion seconded by Councilor Dzujna.*

Councilor Giunta asked the Mayor to read the Resolution including the \$260K. The Mayor read the Resolution.

**RESOLUTION #01-17**

**A resolution relating to Appropriations and Estimated Revenues for Fiscal Year 2017.**

**In the Year of our Lord, Two Thousand and Sixteen.**

**Be it Resolved by the City Council of the City of Franklin that the following appropriations and revenues be made for Fiscal Year 2016-2017:**

**MUNICIPAL DEPARTMENTS**

**APPROPRIATIONS:**

General Operations (MS-232):	
General Government	\$1,540,844
Public Safety	5,141,181
Highways & Streets	1,364,530
Sanitation	782,889
Health	190,617
Welfare	134,643
Culture & Recreation	703,458
Debt Service	172,338
Capital Outlay	1,162,000
Interfund Operating Transfers Out	698,274
<i>Total General Operations Appropriations</i>	<u>\$11,890,774</u>
Other Funds:	
Parks & Recreation Appropriations	\$15,500
Outside Police Detail Appropriations	9,960
Water Appropriations	1,653,379
Sewer Appropriations	1,515,344
Fuel Depot Appropriations	0
Capital Projects Appropriations	0
Pass Through Grant Appropriations	534,334
<i>Total City Appropriations</i>	<u>\$15,619,291</u>

**ESTIMATED REVENUES:**

General Operations (MS-434):

City Revenues General Fund	\$5,104,079
Interfund Operating Transfers In	10,700
Local Taxation	6,775,995
<i>Total General Operations Estimated Revenues</i>	<b>\$11,890,774</b>

**Other Funds:**

Parks & Recreation Estimated Revenues	\$15,500
Outside Police Detail Estimated Revenues	9,960
Water Estimated Revenues	1,653,379
Sewer Estimated Revenues	1,515,344
Fuel Depot Estimated Revenues	0
Capital Projects Estimated Revenues	0
Pass Through Grant Estimated Revenues	534,334
<i>Total City Estimated Revenues</i>	<b>\$15,619,291</b>

**SCHOOL DEPARTMENT**

**APPROPRIATIONS:**

General Operations	\$14,656,292
Food Service	648,096
<i>Total School Department Appropriations</i>	<b>\$15,304,388</b>

**ESTIMATED REVENUES:**

General Operations	\$8,983,671
Transfer from City	\$413,499
Use of Fund Balance	\$250,000
Transfer from Capital Reserve	\$260,000
Food Service	648,096
Local & State Taxation	4,749,122
<i>Total School Estimated Revenues</i>	<b>\$15,304,388</b>

**MERRIMACK COUNTY**

*Estimated Tax to be Raised* \$1,562,503

**INDUSTRIAL PARK TAX INCREMENT FINANCING DISTRICT**

*Estimated Tax to be Raised* \$14,582

***All in favor; motion passes.***

Councilor Desrochers addressed School Board Member Brown’s concerns about using the \$160K so he asked the School Board how they feel about spending the money. School Board Chair Husband stated they addressed that the other night and felt that if they don’t fill the teacher positions they will have even more problems in the schools which is even a bigger

stress on special education. If we don't have the staff to address the situations then it is a bigger problem.

Councilor Starkweather asked if they will have any grants expiring this year. Business Administrator Bergquist stating they have the School Improvement Grant that expired last year but they awarded us some carryover that was used this year. Councilor Starkweather asked what is that used for. Business Administrator Bergquist stated it is used for improving the teaching of the school so most of it was used for training for teachers.

School Board Chair Husband stated that going through the Withdrawal process and part of that is developing the offer since we are the larger entity and we would like to keep the SAU our attorney suggested \$2,000 cash rather than dividing up the assets. The assets are computers and filing cabinets and it is hard to come up with value with depreciation. School Board Chair Husband was asking the Council for a consensus that makes sense. Councilor Wells asked is it the board that is investigating this. School Board Chair Husband stated no the attorneys just gave this today so the board is hearing this for the first time. Councilor Dzujna asked is this keeping the SAU #18 on our side. School Board Chair Husband stated yes. Councilor Dzujna stated that being on the Withdrawal Committee he thinks this is a great idea.

Councilor Giunta stated that based on the momentum that we should hold a monthly finance and strategy committee. School Board Member Hallett-Cook asked if we could set a time for us to start talking about next year's budget as soon as possible. Mayor Merrifield stated we all recognize the need and we need to do so.

***Motion to adjourn made by Councilor Starkweather, seconded by Councilor Giunta. All in favor; meeting adjourned at 6:45 p.m.***

Respectfully Submitted,

Lauraine G. Paquin