

Approved by City Council on July 25, 2016



City Council Budget Workshop Meeting Monday, June 14, 2016

Call to Order

Mayor Merrifield called the meeting to order in the Council Chambers, Franklin City Hall at 6:02 p.m.

In Attendance

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

Absent

Councilor Boyd.

Salute to the Flag was led by Councilor Giunta.

Mayor Merrifield explained that tonight is not a public hearing and they are not taking public comments. The City Council is receiving information from the school district about their proposed budget and it gives the City Council a chance to ask clarifying questions. Tonight is also scholarship night at the high school and Mayor Merrifield needs to step out to present the Mayor's scholarship so Councilor Giunta will be filling in for the time that the Mayor steps out.

BUDGET REVIEW – SCHOOL PRESENTATION

Superintendent LeGallo explained that there are three (3) pieces of information that was handed out - PowerPoint presentation, expenditures to date for this year's budget and a line item budget for 16-17 school year. He thanked all who helped put this budget together. Superintendent LeGallo went through the PowerPoint presentation. Within that he shared that there are 1,139 students in the district and the budget presented was \$16,174,200.60 which is 6.4% more than the current year's budget.

Councilor Barton asked about the chart that shows the students at Paul Smith School with the fewest students and that is the highest in the budget so far. Superintendent LeGallo stated that they don't have an Art Teacher or a Behavioral Specialist so that is the reason for the increase. Mayor Merrifield expanded on that question to ask that those are the only two new positions at the Paul Smith School in the budget. Superintendent LeGallo stated that is correct.

Councilor Starkweather asked where are athletics listed. Superintendent LeGallo stated it is in the 1400's section. Councilor Starkweather then asked any idea how much that is. Superintendent LeGallo stated it is about \$260K on page 8/9. Councilor Starkweather then asked do you have any contracts coming up mid-year. Superintendent LeGallo stated that they don't have any contracts coming up mid-year but this budget represents agreements with custodial union and support staff union and next year they will be negotiating with the teachers. Councilor Starkweather stated that a few months ago a school employee came to the Council with concerns about the school and voting and it was stated that would have to be discussed with the union is that being done. Superintendent LeGallo stated it is being looked at.

Councilor Zink stated the difference in projected revenue is \$1,692,000 and asked if they have any ideas or suggestions on how they can bridge that gap. Superintendent LeGallo stated he is just hoping that all options will be considered. Mayor Merrifield stated that after their meeting last evening they believe the situation is serious enough that the July 5 Council meeting won't work for the public hearing and feel they need to have joint meetings with the school to work together and come up with solutions.

Councilor Clarenbach stated his concern that this is a trend with a reduction in enrollment year after year that we have and the problem that he has with a 6.4% increase is we are not changing the way we are educating our children. One of the things he would love to discuss with the School Board is how we are going to get to that other place. We can't continue to hold onto our resources if our enrollment continues to go down. School Board Chair Husband stated that enrollment is not really going down it is a rollercoaster. Councilor Clarenbach interjected that he agrees but we have to do things differently. School Board Chair Husband replied that the State is reciprocal. Councilor Clarenbach replied that he understands but we can't find a \$1M and break the tax cap and expect this problem is going to get better without changing the way we educate our students. We clearly heard last week from people who are passionate about things but we have to do work. Mayor Merrifield stated that this trend in NH was identified during Governor Lynch's Administration. He had a select committee stating we are a greying State and we have fewer and fewer students on average over 12-15 years a loss of 1% which is also what Franklin is seeing. School Board Chair Husband stated he would agree but our commitment for education based on our per pupil cost doesn't look like we value education. It doesn't appear that it is important for our community and those numbers haven't changed. What do we want to be as a community and do we have a problem with how we allocate money in the first place.

Councilor Clarenbach agreed that Franklin is a product of what it has for housing and it hasn't been managed to be for the best community that it could. The challenge is to understand what is in front of us and how do we get through that. You can't talk about \$1M only to get where we were last year. School Board Chair Husband stated 100 years of the same behavior has to stop. He would like to see a strategic plan out of the Council and School Board so we have a vision and direction. For years all he has heard is that is your allotment of the tax cap and this is

our allotment of the tax cap and we treat each other like two separate entities and it has been happening for years. We are one community and we need to come together. Mayor Merrifield stated that there is a lot of work to be done and we need to entertain some dates because under the Charter if a budget isn't adopted the City Manager's budget is adopted. School Board Chair Husband stated to schedule a meeting every week.

School Board Member Brown stated that the Concord Monitor in November had a separation of 35/65 that it published and that hit home for her. Franklin depends too much on the grant funds and it is going to continue to get less and less. She feels that this is an area that needs to be looked at long term. We are also in a technology era and we can't supply our students with the proper technology due to funding. She is willing and desperately wanting to work with the City Council to bring us a budget that is going to support the needs of the district while working together.

School Board Chair Husband stated that the City Council voted to go forward with Withdrawal from the SAU. Mayor Merrifield interjected and stated that was the Withdrawal Committee and not the vote of these people. School Board Chair Husband then stated that came from the Withdrawal Committee that was appointed by this Council so that still continues and could still have an impact on our district. We are still in flux but could impact next year more than this year.

Councilor Wells stated that as he understands it the State is reducing the funds due to head counts due to over payments and that they are reducing it this year by 25%. School Board Chair Husband stated he didn't know that. Councilor Wells then asked did they pay the school district based on head counts. School Board Chair Husband stated he hadn't heard that. School Board Chair Husband stated there is the adequacy aid and that is being reduced each year. Councilor Wells then asked how are you going to deal with the short fall next year. School Board Chair Husband stated that is why he asked for the strategic plan for the next five (5) years to see where we are headed as a community.

Councilor Desrochers stated that fifty (50) years ago there wasn't the same structure housing in Franklin it was private ownership in the flats not cookie cutters apartments owned by bad landlords. These are homes being turned into apartments and have been done in the past several years. Some time back when he was at a School Board meeting and they were talking about putting in a preschool but If you are \$1M short this year how are you going to put in a preschool. You need to open the books to see if there can be cuts made. School Board Member Brown stated that Preschool was an investigation into the needs of the district to see if we change the model as there are grant monies out there.

City Manager Dragon talked about the Hill formula and that has already shifted to Franklin as those numbers have been decreasing and this year we went from a \$93K revenue to a next year \$67K for Hill and each year it will continue to decrease. In terms of downshifting that State has been doing it to the municipal side for years and the City of Franklin municipal side has suffered

a \$800K loss and it will continue as the retirement rates will rise on both sides next year. Every year City Manager Dragon offers the school to be the first group to submit to the Council and every year the school asks to be the last group to submit and that puts everyone in a difficult position. We knew last year that these revenue problems we were going to be facing so there was no reason not to have these conversations sooner. She had some great meetings with the Superintendent and Business Administrator recently and they agreed that \$380K could be cut from the budget and was surprised, as some of those were corrections to be made, that the budget increased rather than decreased. She also feels the timing of the pink slips is an issue and we need to try and find a way to better address that. There has been talk about financial consolidation and there have been concerns but that is a way to save \$100K and a way to work together and understand both budgets at the same time. One issue is the SAU audits were not getting done and we had to put \$250K on reserve. The adequacy was created back in the 1990s from the Claremont lawsuit. It was determined that Franklin was in greater need of funding for its education and Franklin receives over \$8M for its education. When people compare Franklin's budgets to other communities they don't normally take into account the adequacy funding so it looks like there is very low money going to the school vs the City but when you combine the total dollars it is over 60% going to the school and 40% going to the City. She is not talking about the tax cap or if it is right or not she is stating what happened with the Claremont lawsuit.

School Board Chair Husband asked how do we spend our money compared to other communities. Councilor Clarenbach stated again we have 100 years of challenges ahead of us based on what was done in the past. First we have an Urban Compact – roadway construction, the City of Franklin has to maintain all those roadways with their own funds and not State Funds. So when you compare Franklin to other towns like Newport and Tilton they don't have an Urban Compact, 25% of Franklin's housing are subsidized, 60% of the school lunches are reduced or free. You don't have families anymore you have residents and tenants living here who are constantly moving.

Councilor Dzujna agreed with Councilor Clarenbach that we have one pot of money that we have to share and we have to start earlier. We have tax deeding that we have to deal with and according to City Manager Dragon most Town Manager's only deal with this once or twice in their careers. We began this year with 80 properties and brought it down to 20 that we tax deeded.

Councilor Giunta stated that the meeting last evening was to meet as many times as needed to bring the numbers closer to have the school succeed and the City succeed. Councilor Starkweather stated he felt that they should come back to meet since this was the first time they were seeing these numbers and they needed time to digest. Councilor Barton stated he agreed with Councilor Starkweather that they needed time to digest the numbers. Councilor Wells stated that he hopes that next year's budget that they come earlier with their budget. Councilor Zink asked the School Board that on the estimated revenue page 16 the adequacy grant is the only one listed, are there other grants that the school gets. Superintendent LeGallo

stated yes they get other federal grants but they don't have the federal grants listed. She then asked what the amount of the federal grants are. Superintendent LeGallo replied about \$1.8M. If we are only looking at a 1.6M shortfall and you receive \$1.8M in grants can't you use that? Business Administrator Bergquist stated you can't supplement the budget with grants. School Board Chair Husband stated there were problems in 2010-2011 with the former administration and grants and they don't want to go back there. Councilor Zink then asked that there are two (2) additional positions at Paul Smith but there is an increase of \$300K. Superintendent LeGallo stated that also includes raises, benefits, etc. Councilor Zink stated the food program looks like it went down \$98K and the revenue also went down. Business Administrator Bergquist stated that the audit revealed that the revenue and expenses were not in line with what it is. School Board Member Brown stated that your food service budget has to be self-sufficient between revenue and expenses. Councilor Zink asked about tuition decrease of \$102K. Superintendent LeGallo stated that is the Hill students. Councilor Zink then asked about the district appropriation revenue. Superintendent LeGallo stated that is the tax cap portion from the City.

Councilor Dzujna stated he understands what grants are to be used for but they are not run through your budget or a specific line item for them. Business Administrator Bergquist stated no they are on grant reports. Councilor Dzujna asked how many grants make up the \$1.8M. Business Administrator Bergquist stated there are 10 and they change every year. Finance Director Milner stated that on the City budget the grants come in and support the operating through the general fund and that's maybe why the per pupil costs are low because that piece is not in their budget. Grants that are pass through, which are for someone else and not part of the budget, are generally on the special revenue fund. City Manager Dragon state you should be gross appropriating for funds spent as part of your budget unless they are pass through. School Board Chair Husband asked if this is the first time the City has heard the budget at all. Councilor Giunta stated not really it is the first time it has been presented like this. We've heard things on both sides and at least we both are starting from the same figure. School Board Chair Husband stated that there has to be diligence on both budgets. He stated is has to be a joint effort for the community. As we go through these meetings we need to be looking five (5) years out.

City Manager Dragon stated the City's line by line budget has been online for two months and we cut \$480K to bring it under the tax cap. All departments met to see where we can cut to bring it under the cap. School Board Chair Husband asked what was the City's portion of the tax cap this year. City Manager Dragon stated we received \$150K over a \$10M budget and cut \$480K to bring it under that. School Board Member Brown stated that the budget presented tonight includes all positions so you get a true picture of what is in the budget.

Councilor Starkweather asked if there are grants expiring this year that you can't count on. Superintendent LeGallo stated one (1) grant. Councilor Starkweather stated that special education was a moving target and you can get a bill six (6) months after the school year is over is that still correct. School Board Chair Husband stated you don't know until the student is assessed and that comes from the State. Councilor Starkweather asked about how many

foreign languages do we have. School Board Chair Husband stated they have Spanish. The problem they face is they have students who come in who are not at the same level so it disrupts the educational process.

Councilor Clarenbach stated in his seven (7) years he only voted for two (2) budgets. The challenge before us is there are 18 board members and how are we going to get them to agree to cuts in a very tight time frame.

Mayor offered a smaller group meeting to facilitate coming to a consensus quicker. School Board Chair Husband stated he feels that it should be both full groups as they both have a stake in this. He agreed one month is not going to get it done and we should focus on this budget right now.

Councilor Giunta stated there are big numbers in these budgets that we focus on and if we can't move these numbers then there is no sense moving forward.

School Board Member Brown asked about the City Manager's budget that was mentioned and how that breaks out for the school. City Manager Dragon stated it is based on the tax cap formula and numbers that you were already given.

Councilor Clarenbach stated that the longer term issue needs to have the principals and the department heads at the table as well and not just the two boards so we can hear of the items first hand.

Councilor Giunta stated that he is hoping things can happen before they meet again.

Mayor stated that the City Council and School Board agreed on meeting again on June 20, 2016.

Mayor stated that Rachel Capri received the Mayor's Scholarship.

Motion to adjourn made by Councilor Giunta, seconded by Councilor Clarenbach. All in favor; meeting adjourned at 7:36 p.m.

Respectfully Submitted,

Lauraine G. Paquin