

Approved by City Council on August 1, 2016



City Council Budget Workshop Meeting Friday, June 24, 2016

Call to Order

Mayor Merrifield called the meeting to order downstairs conference room, Franklin City Hall at 6:00 p.m.

In Attendance

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

Absent

Councilor Desrochers.

Salute to the Flag was led by Councilor Dzujna.

Mayor Merrifield stated that this evening is about coming up with a clear direction. City Manager Dragon explained what a \$100K, \$600K and \$1.3M increase in appropriations would increase the tax rate and what the affect would be based on \$150K and \$200K home values. City Manager Dragon then shared information because it has been reported that Franklin has the lowest per pupil cost and if you include the schools grant number of \$1.8M into their budget then the per pupil cost becomes \$11,965.42, not \$10,269.08 that's being reported, and based on that number we are not the lowest. Finance Director Milner did speak to The Department of Education and confirmed that the school district is not reporting the grant dollars in their numbers and they should be. The Department of Education did also say that there are a handful of SAUs that do not do this. Finance Director Milner was asked to verify is it true that 1400 out of the 4500 housing units in Franklin are subsidized.

In 1998 Franklin's school tax dollars prior to adequacy was 8,900,258 and in 2016 it is 8,989,931. Finance Director Milner confirmed that per State Law Franklin will be eventually receiving about half (\$4M) of State Aid reduced 4% per year until the \$4M is zero. Mayor Merrifield stated that per current law the State can take away half of the money Franklin used to get before Claremont. Finance Director Milner stated that Franklin is 186 high out of 260 for the equalized tax rate which is above average. Mayor Merrifield was surprised at that being twenty (20) years with a tax cap he thought we'd be closer to average.

City Manager Dragon spoke about the tax rate sheet and added the cities/towns that the School Board compared Franklin too and if you look at what Franklin is spending on school

funding we are at 62% and we are falling right about in the middle of all the cities/towns on the sheet.

Mayor Merrifield stated that the Mayor of Dover contacted him as they have already started litigation against the State. City Manager Dragon also gave the Council some comparisons from the departments based on cities/towns that are close to Franklin. That was done based on the School Board's comparisons of Franklin to other cities/towns so to give a clearer picture of all the cities departments against other cities/towns.

City Manager Dragon stated that if the School Board had gotten their tax cap allocation, all their revenues, no loss from adequacy and no loss from Hill they are still over by \$660K because they are asking for quite a bit more than their allocation would have been. The revenue shortfall is \$426,014. If the Council was looking to make them whole that is what the Council would have to fund. Mayor Merrifield asked to clarify how the \$426,014 was derived at again. Finance Director Milner explained that you take out the food service and net the others including the net of the \$41,470 they received as the district appropriation. City Manager Dragon explained this is a one-time solution and won't help them moving forward.

City Manager Dragon offered a solution to fund the \$426,014 from the City which includes FY16 fund balance remaining funds of \$250K, FY17 capital reserve fund – Bldgs appropriation of \$147,577, Webster Station taxes of \$12,515, Mayor salary & expenses of \$2,153, Councilor Zink salary & expenses \$323, Recycling Tipping Fees of \$13,446 for a total of \$426,014.

Councilor Boyd asked if the School Board would be happy with this. Councilor Clarenbach stated probably not. Councilor Boyd asked what will it take to fund the school. Councilor Giunta stated breaking the tax cap but many of the residents of Franklin can't afford that. Councilor Dzujna asked that if we break the tax cap that is for this year only and what about next year they will be back looking for us to do that again. If they were looking for a one-time large expense that would be different but to break the tax cap for operating expenses is just not the right thing to do. Councilor Boyd asked if they get this money that they will be able to work with this. Mayor Merrifield stated he doesn't know but it is a step in the right direction. Councilor Dzujna stated the School Board has not come in under the cap and the City has. Dept. Heads have made cuts so why can't the SAU reconstruct their Administration and make cuts. Do they need Administrators or do they need teachers. Councilor Zink asked about the other capital reserve funds. Mayor Merrifield stated that these are funds just sitting in an account and have offered it to the School Board but they haven't stated they are going to use them. Councilor Boyd asked about how much money we are losing from Hill. We have lost 118 students and \$102,855.

Councilor Clarenbach stated that he is willing to look at stretching the cap but we have to look at how many years and what are we going to get back. There is no question that the schools are a big calling card for the City of Franklin. There are a lot of reasons that other people see our schools as poor. We are not getting the same value out of our dollar as other communities

are. You look at Dover and there is no one in Dover that feels they are not getting a good education and they are only a few hundred dollars per pupil cost difference than us so where is the imbalance. If you want to talk about the capital piece and we don't put any more money into it for the next three (3) or four (4) years until Northern Pass comes then that is a decision this Council is going to have to make. If we have to stop raising the Fund Balance then that decision has to rest here but it would be my vote not to do that unless we saw a plan we are going to invest in our schools and going to see a turnaround not just to give them money to hold an established fund as that is not going to work. However we are going to reinvent, we are clearly doing something wrong as the image isn't there and that there isn't the delivery to the students. You ask the students and they don't feel they are getting a good education either. The problem is the School Board feels the 65/35 is a big deal and the Council can change that to 50/50 of the new tax money which won't get them very much but they feel the Council needs to come up with the solution since they hold the money. The City has MSD, Police, Fire & Public Safety, Library and Rec that provide very good services without any State support. Mayor Merrifield interjected and stated that Franklin is the 12th largest recipient of State Aid so if you look at that per capita we are probably the largest. Councilor Clarenbach restated that the challenge is that we have to engage the School Board to change and we have to relook at everything. With large numbers of properties subsidized and owned by landlords who don't care about Franklin schools, how do we turn the tables to engage younger families to make a venture on Franklin. Councilor Zink stated that elementary school education numbers are off by \$6K, where the high school numbers are in line with Concord, so why is the elementary school so far off. It is a fact that if you fall behind on reading by 3rd grade you never catch up. We need to be funding the elementary education as we could bus the high school kids to Concord and not have an issue. Councilor Zink then asked about the Food Service revenues and the power point and Finance Director Milner stated that the reason is that our number is off their projected revenues and Superintendent LeGallo did state it went down quite a bit.

Councilor Giunta stated that he agrees. The School Board has a \$450K salary increase in a time when they knew their numbers were going to tank in the first place. He stated his frustration in having to shift numbers here and there with no return on investment just to have to be back here next year but there has to be a breaking point.

Councilor Zink asked about what is in the charter that specifies the ratio. Mayor Merrifield stated there is nothing in the charter that specifies the ratio of the new money. Councilor Clarenbach states the County has been flat for the last several years and they take their cut first and then we take our 65/35 cut. In years past the County has taken the entire amount. Mayor Merrifield stated that it is up to the Council. Councilor Clarenbach stated that you would have to change the manager's budget with five (5) votes from around this table to decide where the money goes or doesn't go. Mayor Merrifield stated that it is the Council who adopts the budget and decides how much money goes to the school and City and that is how the decision gets made. Councilor Zink asked if there can be a team to look at changing the ratio in the future of the money as they are losing 4% a year. Councilor Clarenbach stated that this is new money

you are talking about and the amount they are losing and the amount of new money coming in aren't in the same ballpark. He did state this is a short term fix but agrees with Councilor Giunta that there needs to be a return on investment and before going over the cap without having some defined return. He doesn't want to play politics with the students and each year we miss an educational year we won't make up but it is getting everyone to the table to do what is best for the community. Councilor Dzujna stated if we can't get the school district to be fiscally responsible for their budget that is when we have to get an outside consultant. Councilor Zink stated she made a recommendation to the School Board to contact the Superintendents Association as they can pull together a group of retired Superintendents and they would come in and do an evaluation, not sure where that will go.

Councilor Giunta stated he worries about the network that if the group comes in and asks what do you need as they will listen to us, he stated he would rather go with an independent outside company but appreciated her looking into it. Councilor Starkweather stated that in the last two meetings that the Superintendent didn't say a word. Mayor Merrifield stated that no matter what happens in the next two weeks, we have a significant problem in the future. Councilor Wells stated that he thinks in their budget the Behavioral Specialist/Assistant Principal are two people and how can you hire support staff when you haven't hired the Assistant Principal yet. He was originally opposed to the consolidation as he didn't feel the City needed to be looking over their shoulder but now he is in favor of consolidation 100% as he feels they don't know what they are doing.

Councilor Zink asked why they only chose classroom teachers to cut and nothing else. If you look at what they spend in janitorial fees, \$600K, and that amount isn't spent across all municipal buildings, has anyone looked into that. She then stated that maybe it's because on the City side it is done by outside services so there are no benefits that have to be paid out. She then pointed out the class sizes that the School Board are pointing out. She would like a way to have integrity or trust of the numbers are right now as they are just on a piece of paper. Councilor Boyd pointed out that nobody takes notice that their maintenance staff has done a fantastic job keeping the grounds and place looking great. Councilor Starkweather stated that maybe they should have something like a forensic audit done. Councilor Dzujna stated he is against giving this money to them until they tell us where they are with budget changes. Councilor Clarenbach stated he doesn't mind giving this one time money with the understanding that we need to get the meetings going. Mayor Merrifield asked what the consensus is on the money. Councilor Dzujna stated we should ask them what they are going to do in the long run. Councilor Clarenbach stated he agreed with Councilor Dzujna and we shouldn't start with this offer. He then went on to say their number was \$1.1M then they upped it the night they presented it to us to \$1.6M. Then they cut it back to \$1.1M and are looking to us for the rest. Mayor Merrifield interjected and stated that he has read their minutes and they have accepted many versions of a number and it is hard to keep track of that number.

Councilor Zink asked what the Council thought if we asked people if they wanted their trash picked up they have to pay for it. Councilor Clarenbach stated that you would hurt the residents as that would be disproportional to everyone. Councilor Dzujna stated a problem he sees is with the absentee landlords would they actually pay or would they let it pile up or put it with other people's trash. Councilor Boyd stated he had people doing work for him and they were charging user fees for dropping off construction debris at the transfer station and he didn't know that. Councilor Starkweather stated that many people don't take their trash out.

Councilor Boyd asked are we going to give them the \$426K. Councilor Clarenbach stated he is good with giving the \$426K but with the understanding that an outside party needs to come in and look at the direction of the school as we are revenue stricken. We can't run this community on emotions and have to start putting things on paper. Councilor Boyd stated lets be cautious this year and let's get on this early for next year.

Councilor Starkweather asked where the housing number came from and Finance Director Milner stated it was from HUD. Councilor Clarenbach stated that there are ways to force landlords to come into better compliance with inspections.

Councilor Giunta asked how we present this number and the stipulation without it turning into an argument. Councilor Dzujna stated that he is constantly getting questions about why the Council is just sitting there and taking the abuse and not saying anything. He stated we have to get more information out to the public so they are better informed.

Councilor Zink asked how will we do the presenting as they went first last time do we go first this time. Councilor Giunta stated should the Mayor have a conversation with School Board Chair about this number. Councilor Barton stated that they are the ones over the tax cap so we should ask them what have they done to come closer to that before we present our number. City Manager Dragon stated that if we did a 50/50 split they would get an additional \$35K. They meet on Monday and if there is any discussion of this number then when the Joint Meeting happens there is an opportunity for them to come back at the Council with whatever.

Councilor Dzujna asked how bad does this hurt us not putting funds into the fund balance. City Manager Dragon stated this does not hurt us too bad as we just have less going in the fund balance this year. Councilor Zink was looking at the taxes and asking if the \$426K adds to the taxes they would be getting. Finance Director Milner stated no it would be a transfer from our budget to theirs. Mayor Merrifield stated that these are already funds collected not new taxes.

Motion: ***Councilor Zink moved that the Franklin City Council cancel the July 5 City Council Meeting and move it to July 11, 2016. Motion seconded by Councilor Clarenbach.***

All in favor; motion passes.

City Manager Dragon reminded that we need to remember that we only have until July 15 to post the hearing. Mayor Merrifield stated if we don't come to a consensus then the manager's budget becomes the default budget as July 27 is the deadline.

City Manager Dragon spoke about the MSD contract and in the first year they agreed to the steps and COLA. They also agreed to a boot allowance increase from \$200 to \$225. Councilor Zink asked is SELU their agency as there are three (3) different ones bolded.

Motion: Councilor Boyd moved that the Franklin City Council agree to the two (2) year agreement from July 1, 2016 through June 30, 2018 between the City of Franklin and the SEA of New Hampshire (Municipal Service Department Employees). Motion seconded by Councilor Giunta.

All in favor; motion passes.

Councilor Wells stated that when they get into the strategic plan that he has a person who would be willing to be the facilitator and would do it for free. If the City Council would be willing to do a donation to HealthFirst that would be great as well.

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