

**JOINT FINANCE COMMITTEE MEETING  
MAY 12, 2015**

**Call to Order**

Councilor/Chair Feener called the meeting to order at 6:00 p.m. in the meeting room located on the lower level of City Hall.

**In Attendance**

**School Finance Committee**

Mr. Greg Husband, Chair  
Mr. Tim Dow

**City Finance Committee**

Councilor Glen Feener, Chair  
Councilor Tony Giunta

**Absent**

Mr. Peter Heath

**Absent**

Councilor Bob Desrochers

**Others in Attendance**

Mayor Merrifield  
City Manager Dragon  
Finance Director Milner  
Superintendent McKenney

Business Administrator Bergquist  
School Board Member Burns  
Councilor Wells  
Councilor Dzujna

Chair Husband advised that at the School Board Meeting it was a 7 to 1 vote in favor of leaving the SAU. He also noted there is a \$330,000 deficit of revenues in the budget which some is attributed to special education as well as Hill leaving Franklin. However, Chair Husband advised that 24 of the 28 high school students from Hill will be returning to Franklin.

The adequacy funds are unknown at this time as the Senate has not finished the budget but there is a possibility of a one year \$80,000 increase. State adequacy was supposed to be funded at 90% but is funded at 60%. Special Education is supposed to be funded at 40% and is funded at 17%. Chair Husband stated

Joint Finance Committee Meeting

May 12, 2015

Page 2

replacement of equipment is all gone and looking at everything it appears the school will be \$400,000 short.

Superintendent McKenney stated once the Open Enrollment goes into effect they are hopeful they will have several additional students which will bring additional revenue. Chair Feener commented that Franklin will be the first in the State to offer Open Enrollment.

Superintendent McKenney stated they should have their budget complete the end of June and it will be a balanced budget but certainly will not have everything they need to attract students to Open Enrollment.

Chair Feener recommended that the School come to the Thursday, May 21<sup>st</sup> Budget Workshop and update their budget and issues. All agreed.

Superintendent McKenney stated the School may have \$170,000 of unexpended funds which if returned to the school by the Council would be very helpful. It was also stated there is a capital reserve fund for the School with approximately \$200,000 which could also be helpful.

The school is eliminating a special education teacher and replacing the teacher with a teacher's aide which will be a large savings.

Open enrollment is on the June 22, 2015 Budget Workshop Agenda for the Council to consider adoption.

### **Consolidation**

This issue had been tabled until a new Superintendent was chosen. It is now anticipated that consolidation can be once again discussed in July, 2015.

### **Status of Audits**

Business Administrator Bergquist advised that the FY14 audit will be complete before June, 2015 and the FY15 audit will be completed on time. Finance Director Milner stated the City's FY14 financial statement audit will be complete June 30, 2015. Ms. Bergquist stated it is her understanding that funds were set aside beginning with the 2012 audit for the SAU and the amount now is \$261,000. Finance Director Milner stated that is correct.

### **GASB 68**

Finance Director Milner explained that under GASB 68 government-wide statements now need to record the unfunded portion of retirement which could put the City in a negative net position on the City's government wide financial statements. GASB68 will have no effect on the City's fund financial statements. However, Director Milner stated she does not think that will harm the City when they would apply for a bond as the bonding agencies have been calculating this type of number during their rating process all along. The number will now be easy for them to pick up on the face of the financial statements. She did state it will look alarming and the amount will change depending on several factors including the rate of return assumed by the retirement system, increases/decreases in covered positions statewide, etc. She also stated the City should receive the City's unfunded retirement number soon from the retirement system as it is required for the FY15 financial statements.

### **FY15 Year-end/Fund Balance**

Finance Director Milner advised that this winter with all the snow and ice was not kind to the Municipal Services budget. The Snow budget was over by \$72,000 in material and \$93,000 in overtime.

Manager Dragon commented when everyone became aware of the situation with the Municipal Services budget, all departments cut back on their spending.

Joint Finance Committee Meeting

May 12, 2015

Page 4

Manager Dragon stated they would not spend monies for things that had been approved in their budget and that every year all the departments work together in this manner. Finance Director Milner stated fund balance may have a modest increase.

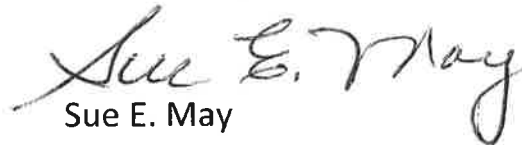
**Other Business**

Director Milner advised the flood control funds that are to be paid by Massachusetts \$50,000 has been cut from the FY16/17 State Budget. In addition, FY13 Massachusetts portion (\$26,000) has not been paid to the City yet.

Chair Husband thanked Ms. Bergquist and the Principals for all the hard work they have done working on the budget.

***Motion made by Councilor Giunta to adjourn; seconded by Councilor Feener. All in favor; meeting adjourned at 7:15 p.m.***

Respectfully submitted,

A handwritten signature in cursive script that reads "Sue E. May". The signature is written in black ink and is positioned above the printed name.

Sue E. May

# Making sense of GASB numbers

**There's a lot of information out there regarding the New Hampshire Retirement System, some of it fact, some of it fiction. This document, along with others in the "NHRS ... Now You Know" series, is designed to provide you with straight talk about the retirement system.**

The fact that the New Hampshire Retirement System has an unfunded pension liability isn't news; nor is the fact that this liability is being paid down via employer contributions on a 30-year statutory funding schedule that runs through 2039.

What may be news to some is that starting later this year participating employers will begin reporting a proportionate share of the pension liability on their financial statements for the first time. Chances are, this will cause confusion, and possibly concern, among those who don't understand what this number is – and what it isn't.

First, a little background: The Governmental Accounting Standards Board (GASB) is an independent, non-profit organization that sets financial accounting and reporting standards for state and local governments.

In 2012, GASB approved two new standards – GASB 67 and GASB 68 – that deal with public pension accounting. Previous GASB standards provided a methodology to measure funded ratios and define the amount of annual required contributions needed to maintain healthy funding of public pensions. The new rules no longer provide a funding standard, they merely tell governments how to account for and report pension liabilities and costs.

GASB 67 took effect for NHRS beginning in the fiscal year ended June 30, 2014. It requires the retirement system to include new footnotes and multi-year financial schedules in its financial statements, as well as report the collective Net Pension Liability (NPL) of the plan as a whole. As a result of GASB 67, NHRS now reports two pension liability calculations: the liability for accounting purposes – the NPL – and the liability for funding purposes, referred to as the Unfunded Actuarial Accrued Liability (UAAL).

GASB 68 takes effect for participating state and local governments beginning in fiscal years ending June 15, 2015, or later. Among the requirements of GASB 68 is that employers report their proportionate share of the NPL on their balance sheet and determine pension costs in a different way.

## **What GASB 67 and 68 do:**

■ The new standards change the way pension plans report financial information for accounting purposes, but do not force pension plans to change their funding policies. This has been referred to as "divorcing accounting from funding."



■ The new standards provide a snapshot of a plan's financial status as of a given date. Unlike the actuarial calculation of the UAAL, which smooths asset gains and losses over five years, the new GASB calculation of the Net Pension Liability uses the fair market value of assets at the close of the fiscal year. This means the NPL will be more sensitive to year-to-year market volatility than the UAAL.

■ By requiring all pension plans to use the same formula to calculate the NPL, the new standards provide a consistent framework for comparing the financial status of different plans.

### **What GASB 67 and 68 don't do:**

■ The calculation and reporting of the NPL is not going to be used to determine NHRS employer contribution rates, which are actuarially determined pursuant to the NHRS Actuarial Funding Policy, RSA 100-A, and the state Constitution.

■ The calculation and reporting of the proportionate share is not going to directly impact property tax rates because the pension liability will be presented in the "government-wide financial statement," not the "fund financial statements" used by the state Department of Revenue Administration for setting tax rates. The only potential cost impact would be additional administrative and audit expenses associated with complying with the new GASB requirements.

■ The proportionate share is not a bill. NHRS isn't looking for employers to pay down the liability any differently than they do now. In fact, because NHRS is a multi-employer plan where all employers pay the same contribution rates, if an individual employer wanted to write a check – or issue a bond – to pay off their proportionate share, any funds received by NHRS in excess of the actuarially required contribution would be used to offset the liability for all employers.

■ The proportionate share isn't anything new to bond-rating entities. Pension liability has long been a factor in municipal credit ratings and the rating agencies have their own formulas for measuring pension debt.

So, what's the bottom line on these new accounting standards? Here's what GASB says: "While this information will, in some cases, give the appearance that a government is financially weaker than it was previously, the financial reality of the government's situation will not have changed."

### **Related topics:**

*NHRS Now You Know: 'Demystifying unfunded liability'*

[www.nhrs.org/docs/default-source/now-you-know/now\\_you\\_know\\_uaal.pdf](http://www.nhrs.org/docs/default-source/now-you-know/now_you_know_uaal.pdf)

*NHRS Now You Know: 'Sustainable, by many definitions'*

[www.nhrs.org/docs/default-source/now-you-know/sustainable.pdf](http://www.nhrs.org/docs/default-source/now-you-know/sustainable.pdf)

