



Joint Finance Committee Meeting Tuesday, November 22, 2016

In Attendance

City: Councilor Giunta, Councilor Barton, Councilor Desrochers, City Manager Dragon, Finance Director Milner

School: School Board Member Brown, School Board Member Dow, Superintendent LeGallo

Absent: School Board Member Gargano, Business Administrator Bergquist

Salute to the Flag was led by Councilor Clarenbach.

Grants Discussion – new ones to enhance education, 21st Century, old ones, etc.

City Manager Dragon stated that she met with Superintendent LeGallo and Finance Director Milner yesterday and spoke about this item because they had applied for and didn't receive the 21st Century Grant. People had been asking when can it be applied for again and wanted more information. The grant can be applied for every two (2) years. The City did participate and Recreation Director Alpers spent a lot of time with the grant writer on the grant. It was a complicated process as it was three (3) organizations trying to put together one application. Rec. Director Alpers is still following the program. There were not any other grants that Superintendent LeGallo indicated they could follow up on. Superintendent LeGallo stated they are always actively looking for grants and they just received a proposal to look at one for next month. Councilor Giunta asked what was the value of the 21st Century Grant. Superintendent LeGallo stated it was just over \$100K and it was a five (5) year grant for about \$500K. City Manager Dragon stated it is similar to the Drug Task Force Grant. It is a big grant and very competitive.

NHRS – new bill to bring back some of the lost state funding for police, fire and teachers

City Manager Dragon stated they spoke a bit about this last time and there was a bill to be put forth by Representative Cushing to bring back 15% of the funding contribution by the State for police, fire and teachers. We would love to see this bill happen as those costs are beginning to escalate and that is going to be a real challenge for the school and City. Once it is assigned a bill # it will be tracked and sent to our education funding partners using the new contact list from the education funding forum. Mayor Merrifield stated that before the election at NHMA Governor elect Sununu had some kind words for these ideas as well. City Manager Dragon stated that Governor elect Sununu spoke about education and funding of such as well. He also mentioned that Franklin, Claremont and communities like them are in need of additional funding. Councilor Giunta asked what kind of dollar value does it mean for the school and City if it is reinstated. Finance Director Milner stated that the rough numbers are \$105K for City and school. Councilor Giunta asked Superintendent LeGallo if he could bring other Superintendents

to get involved with the legislature. Mayor Merrifield asked Superintendent LeGallo if he is active in the association at all. Councilor Giunta asked City Manager Dragon to get Chief LaChapelle involved. City Manager Dragon stated they are also pushing this through NHMA. Councilor Giunta asked to keep this on the monthly to update the committee on how it is doing.

Tax revenue allocation discussion

City Manager Dragon stated this was a school agenda item but believes they are looking for a broader conversation on the budget and how it is allocated in its entirety and not just new revenue.

School Board Member Brown stated they are looking to understand how the allocation is dispersed and the 35/65 split for a plan to readjust that allocation to increase over time. Councilor Giunta stated that Julie Greenwood invited him to take a tour at the high school last week. Several teachers talked to him about the allocation formula and were impassioned about the split. He spoke to them about property poor communities and property rich communities and the allocation is based on that ability to tax that property value. The more they spoke the more they understood it. Councilor Giunta feels they should talk about it more here to understand it. School Board Member Dow stated he was reviewing the budget today and asked if the City was collecting \$13,272,852 in taxes. Finance Director Milner stated that is not what we are collecting that is what we are supposed to collect. He then asked if on page 12 the total revenue that the City collects is correct of \$18,387,631. Finance Director Milner stated that is correct as that includes some other finance resources like bonds, borrowings like the fire truck and the roads. He asked how is that money we are dividing equally or how is that money being divided between the City and the school. The City received \$151,131 which is 62% and the school received \$93,355 which is 38%, which shows the school is receiving \$57K less than the tax cap.

School Board Member Dow asked again how is the money being divided between the City and the school. Finance Director Milner began to explain that if you go to page 84 (of the City budget) and look under appropriation for the taxes being paid to the school district (both local and statewide) and taxes being paid to the County on the appropriations side. If you go back to the Tax Cap Formula (page 10) you take what was collected in taxes from the year before \$13,068,736, and that is the beginning of the formula, and take the CPIU Urban for the previous Dec to Dec is what you multiply that by, .70%, and that gives you the new revenue, which is \$91,481, and then you have Pick-Ups for new construction you multiply that by the previous year's tax rate, as that is the only tax rate you have at that time. This will give you an additional \$112,635 and add that and the \$91,481 to the original taxes that were collected from the year before you come up with the new total taxes of \$13,272,853. When you come up with new total taxes you have to estimate the County as they are paid first. You come up with the estimation and hope you are close and take that right off the top. The statewide school tax is given by the State and that comes off the top. What is left is divided between the school and the City. On page 11 is the tax cap breakdown and you can see the new revenue breakdown that was just discussed. You can see the statewide property tax amount went down, local school tax went up and it all nets out between the school and City. Then a dollar amount is

come up with that is split between the school and City. The percentage of the split has been that way for a while. School Board Member Dow stated that is the 62/38 and Finance Director Milner stated that it is normally 65/35 but due to changes in the budget this year it is 62/38. He then asked if we know what the revenue for new taxes is for this year. Finance Director Milner stated it is the \$13,272,852 plus the \$226K from last week. School Board Member Dow then asked are we going to look at redoing this formula. City Manager Dragon stated that we are not looking at big numbers that we are splitting between the two organizations and this year the County is expected to go up and they come off first and then it is split between the school and City. The reason for the split when it began is because of the amount of education funding we receive so you will be looking at total dollars received no matter where it is coming from whether it is local taxation or the State of NH so you are looking at the whole picture and that has been missing. This is the City's budget not the schools and you can't easily see that in the City's presentation so we are adding that as we get that question a lot so people can easily see the total dollars being spent. The schools budget is bigger than the City's budget and you don't see that from this and people actually think it is the reverse.

Mayor Merrifield asked what is the total school budget. School Board Member Dow answered \$15,304,388 an increase of \$103K. City Manager Dragon stated the City's is \$11.8M which includes the \$1M for the bonding of the truck and the road. If it was net of that it would be just shy of \$11M. Mayor Merrifield asked what is the number of City employees and Director Milner stated it is 93, one has 4 legs, and those are not all fulltime, 85 are fulltime. The school has 206 school year employees. Mayor Merrifield stated that this factors towards the retirement talks as the school is double. School Board Member Dow stated that the biggest question he has is are we going to relook at the tax cap breakdown and are we going to change it or is it going to stay the same where there is less money as that is the biggest question asked when people get their tax bill and see the City gets more. City Manager Dragon stated the reason it shows that way is the tax bill does not show the \$8M in education funding. Other towns that do not get that amount of money in education funding those numbers would be different. People in the City of Franklin are not looking at total dollars as they are not taking into consideration the \$8M when see the tax bill numbers. City of Franklin is having problems with the State revenues going down, ADM going down, Hill is going away and we are having tuition issues is a conversation for the school board and City Council to have not administration.

School Board Member Brown mentioned that for the conversation to move forward with some kind of plan to see if there is a way to increase the tax dollars knowing that there are many services required to run but even though there are many grants going away and the school is fighting for them the students still have to be educated and by decreasing teachers because there are no funds is not going to bring people to Franklin and the children are not getting what they paid for. School Board Member Dow stated that people are not going to want to come into the City because they aren't seeing the increase necessary for education and he doesn't blame the City he blames the State. Mayor Merrifield stated that it is the school revenue that is going down that is the problem. The City is adding to the revenue and the tax contribution every year. He then stated we wouldn't be discussing this if we weren't losing enormous amounts of State money every year. Councilor Barton asked about the \$8M where does it show for a resident to see. Finance Director Milner stated it is other revenue that shows on the

schools budget. City Manager Dragon stated that is the issue as the average person doesn't go onto the schools budget to look for those items. They look at their tax bill and probably don't really understand the whole picture. We can't put anything on the tax bill to explain it as the law doesn't allow it. We can't even put in an insert to explain the breakdown as the law doesn't allow it. We have tried to get the word out via newsletters, website, forums, etc. but it doesn't reach the larger audience. School Board Member Dow stated there is going to be a loss of \$342,982 before we even begin this year but we need to educate the people of where these losses stem from. City Manager Dragon stated there will be an explanation of this in the City's budget next year.

City Manager Dragon stated with all this going away you have to look at how you do business. With only 380 students at the high school when does it make sense to make more dramatic changes? How far out do you forecast, when do you change what the classrooms look like or when do you change where they receive those classes. Throwing more money at it is not necessarily the answer as it has to be a combination of things for the future. Councilor Giunta asked School Board Member Dow what if it was 50/50 would that solve the problem. What does that mean on the City side? If people are not willing to come to Franklin because of our school system and the City loses a \$1M what does that look like for Police or Fire which also influences where people want to live with an Opioid crisis going on. It is scary times out there and things are changing everywhere and it will have an effect. Councilor Giunta asked Finance Director Milner and City Manager Dragon to give them an idea what it will look like so Councilors can think about what to do.

Councilor Desrochers stated if you looking to reduce Police and Fire how are you going to do it. We are short 1-2 firefighters and we are short 3-4 police officers now. The rescue trucks are out of the station 90% of the time with no one manning the station. There is nowhere left to cut on the City side. We have already combined offices, we haven't hired police or fire when they have left and we have reduced the staff at municipal services there is nothing left to cut. Councilor Desrochers stated one thing we need to look at is the way we do business. Councilor Desrochers asked the School Board Members with Business Administrator Bergquist out for two weeks who is paying the bills. School Board Member Dow stated there people are on top of it, as she is out of the office but still doing work at home. Councilor Desrochers stated we have talked about consolidation, downsizing non-essential employees, maybe outsourcing some of the janitors at the high school so not to have to pay benefits. That is a terrible thing to say but we have outsourced at City Hall and did that years ago. The boiler at the middle school needs to be fixed and you are paying a man to check it every hour, how much is that costing you in man hours versus just fixing it and I realize the budget is frozen. If it breaks down over the weekend it is going to cost three times as much. You need to prioritize this list and that roof needs to be on the top of that list as the school has a history of not prioritizing.

City Manager Dragon asked about the conversation on allocation about the new revenue and wanted clarification. The conversation was about the tax cap allocation and how to shift that money and that is an easier conversation. The new revenue amount is not a lot of money and the cost of living increase this year was only .07%. Councilor Giunta stated with the new Council coming in and with the teachers that he spoke with that the allocation change seems to

be topic of conversation more and more and City Manager Dragon should just have ready what it will mean to the City if the allocation changes.

School Board Member Dow asked do other cities include the adequacy aid in their budget or is Franklin the only one that does it. Finance Director Milner stated they have too. The City of Dover does a combined budget as they are a dependent school district. City Manager Dragon stated there is confusion with people about grants. The State Adequacy grant is for the operation of the school, it is not to enhance the programs you're offering. That is why it has to be part of that number.

Superintendents thoughts on bringing expenditures in line with revenue

Superintendent LeGallo stated they will look at their enrollment but when you have a drop in enrollment it is not necessarily in one place to reduce any one position but there certainly is not enough to have \$1.3M in cuts. They will look at every line and cut every line that they can. They will get the heating panel fixed. He will report back as to what is found. School Board Member Dow stated that the panel for the Boiler will be the number one priority not the roof at this point.

City Manager Dragon suggested they look into the energy performance contract and see if you can finance new boilers in your schools through the savings. The City had EEI come in and do an evaluation of all the City buildings and got all the utilities costs over a period of time. They then looked at the insulation, mechanical systems and put together a proposal and rebates. The rest was borrowed through the energy savings that is guaranteed through EEI through the life of the loan. School Board Member Brown asked what was the length of time to do this. City Manager Dragon stated it did take a while as it depends on what you are going to do the evaluation on. Councilor Giunta stated that he has shared another company as well so there are a few options.

Mayor Merrifield stated that he heard on the radio a contest for a school district to win \$50K to do a 250 word essay about green initiatives in their school district. You can talk about single stream initiatives, the hydro power, the LED street lights. Councilor Giunta stated you can mention the solar gardens to be built.

Brainstorming other solutions

Councilor Giunta mentioned to broaden their scope on where to look like online courses and ask other districts as there has to be others that have gone through this. Mayor Merrifield mentioned solar on the buildings. School Board Member Brown mentioned that the School Finance Committee is going to meet with the buildings and grounds committee to talk about different CIPs and brainstorming. She asked about the wall and was told that an engineer has looked at it and it is not structural it is a façade issue. She asked for a copy of the report.

Councilor Giunta stated the contact he gave also does solar and other things.

Other business

City Manager Dragon mentioned that the tax rate setting is not done yet. There are ten (10) issues with the school districts numbers that was reported to the DRA. Superintendent LeGallo stated Business Administrator Bergquist was working on it and was going to resubmit it today. City Manager Dragon stated the issue is by law when tax bills go out you have to give 30 days to pay. We will be going into January and then taxpayers won't be able to claim it on their taxes in April. We need to get the word out that they have to pay by Dec 31 so then they can claim then on their taxes. The other problem is cash flow as the County payment is due Dec 17 and once that is paid we are going to have to hold all AP for the City and school. Only necessary AP and Payroll will be paid as there won't be enough cash to pay vendors. Finance Director Milner will watch the cash flow. In the past there were buffers so it wasn't an issue but we don't have that this year. City Manager Dragon mentioned that on the December meeting agenda there are the custodial and support staff contracts but those contracts were already implemented July 1 so the Council will be giving a retroactive approval as it was a misunderstanding at the school as they didn't realize they needed to submit to the Council before giving raises. The school is currently in negotiations with the teachers and they know not to approve or give raises before bringing it to the Council meeting.

Councilor Giunta asked what is the value of the contract. School Board Member Dow stated there was a savings in the first year around \$63K in the support staff and \$11K savings in the custodial. School Board Member Dow stated it is a three (3) year contract and the increases are very minimal and shouldn't have a big impact. They were able to bring everyone under the same insurance. There is a little increase in the second year (2) and a decrease in the third year (3). Councilor Desrochers asked if they knew that the City has forgone raises in tough times and maybe that is what teachers need to do. School Board Member Dow stated he knew that.

Councilor Giunta stated they will keep marching forward and sometimes figures at other meetings are incorrect. We just need to keep contributing and bringing people in and see what they are doing. Councilor Giunta asked City Manager Dragon to create and informational piece that people can bring and explain to others. Councilor Wells stated that people are always talking about percentages but we need to agree about which percentages we are talking about. The next meeting will be on December 20 at the Franklin Middle School.

Meeting adjourned at 7:18 p.m. by Councilor Giunta.

Respectfully Submitted,

Lauraine G. Paquin