



Joint Finance Committee Meeting Tuesday, February 21, 2017

Call to Order

Councilor Giunta called the meeting to order in the Council Chambers, Franklin City Hall at 6:10 p.m.

In Attendance

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

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

Absent: Business Administrator Bergquist

Salute to the Flag was led by Councilor Desrochers.

Status of Adequacy related House & Senate Bills

City Manager Dragon talked about three (3) bills and passed them out, page 1 is the bill status and page 2 is roll call vote. HB525 was a bill that was being worked on with Rep. Horn and that was retained in committee. City Manager Dragon had a conversation with the our Senator and he stated that he is still working on keeping it alive in the Senate and will try to get it back on. HB597 is a bill that would have given additional funding to the school district and it would have meant \$600K but that was killed or ITL. HB413 is about retirement funding and it is to give 15% back and that has passed the house and is moving to House finance.

City Manager Dragon stated she looked and listened to the Governor's budget and there was nothing in there for funds for retirement. He did have additional funds for building aid and full day kindergarten and looked like he was basing that on need. For adequacy funding and stabilization funding City Manager Dragon hasn't looked at HB2 yet but in the Governor's speech and remarks there wasn't anything there. She is hoping when the finance committee meets there will be good showing to testify for the need of stabilization funding or some recognition that fiscal disparity needs to be addressed.

School Board Member Doucette asked about HB525 and stated that Rep. Horn spoke at the school board meeting and stated it was killed. City Manager Dragon stated that it was not killed but it was retained and our Senator reached out to her and he is still working on getting it back. School Board Chair Dow stated Rep. Horn said it won't be brought up again until November. City Manager Dragon stated that when it is retained they will take up the retained bills in January and there is an opportunity during HB2 discussion in the House to bring back items for stabilization funding. She doesn't know how successful it will be.

Councilor Giunta asked what the fiscal impact would be if HB413 was to pass. City Manager Dragon stated it would be \$106K for the city and \$144K for the school.

Councilor Giunta asked if City Manager Dragon had other information on bills. She stated she doesn't have anything on education funding but did circulate to the council updated information about Northern Pass' status which affects all of us. That is moving forward and she had testified on some of the items and one bill that would have hurt the process was voted down or ITL. Councilor Giunta asked what bill number that was and City Manager Dragon stated HB145.

School Board Member Doucette asked if there are any other bills that would give the City of Franklin more money so that money can be given to the school. City Manager Dragon stated that there are no additional funds in the Governor's proposal that would go to municipalities and nothing else that she is aware of. The only other funding that was in the Governor's proposal was for building aid funds for schools and full day kindergarten.

Other business

Councilor Giunta asked City Manager Dragon to give an update on the meetings she has had with Superintendent LeGallo. Superintendent LeGallo stated that he and Business Administrator Bergquist normally meet with City Manager Dragon and Finance Director Milner every month prior to this meeting but they did not meet this month due to scheduling conflicts so there is nothing new to report.

Councilor Giunta stated there was a Concord Monitor article today about how the school was able to save some money and about the sports program. He then asked how the meetings with the principals and vice principals went. Superintendent LeGallo stated that the principals and dept. heads put in their budget and it was \$16.2M and after sitting with them that was cut down to \$15,560,000. The school board received that budget last night. There will be two budget sessions one on March 7 and on March 14. The budget will go to the full board on March 20 for a vote and then bring it to the council for their April meeting. There is not good news on the revenue side as those funds will be about \$14M so there is a \$1.5M shortfall as it stands today.

Superintendent LeGallo stated the school board got news regarding their accreditation and they are still accredited but the letter does talk about the budget issues that the school board is fully aware of. He passed out the accreditation letter.

School Board Chair Dow talked about the Pay for Play idea that was formed at one of the finance committee meetings and done at his recommendation. It was only research to gather information on what that would look like. He felt that this was something that needed to be done as due diligence because of the budget issues. The approximate cost for a middle school student is \$157 and a high school student is \$407. He felt there is no way a parent can be asked to pay for this but wanted to look at what the cost was and the athletic budget is only 2% of the overall budget.

School Board Chair Dow stated a timeline was created for their budget that they have adhered too and set two dates for their budget. One question they had was about the revenues from the City and Finance Director told the Superintendent LeGallo that those figures won't be available until mid-April so that would delay their budget. The School Board is still going to do their budget based on projected figures on the revenue side and there will be an adjustment once that number comes in from the City. The projected revenue shortfall for adequacy for next year is \$176,929. School Board Member Brown stated that after the 16-17 budget was set they lost an additional \$115,366K in state funding and that also plays into the next year number as well as when the States does their adjustments again. City Manager Dragon stated there was a bill put forth by Rep. Horn to change that formula to once a year rather than three times a year but that bill was killed.

School Board Chair Dow stated that when Superintendent LeGallo got the budget he cut \$431K before it was presented to the school board. There were many different types of cuts which includes a teacher due to enrollment and kindergarten. There were also two (2) finance committee meetings where \$50K was also recommended to be cut. School Board Member Brown stated she has already looked this budget over twice and is looking at it again for a third time but feels there is nothing else that can be taken out that won't be detrimental to the students. She stated they will be working with Winnisquam on the swap classes and there will be some costs associated with that. There will be tradeoffs but there will also be costs that can't be cut and some cuts that Superintendent LeGallo made that she feels will need to go back in.

School Board Chair Dow stated the budget increase from last year is \$693,274. Councilor Desrochers asked what their budget was last year and School Board Chair Dow stated it was \$15,304,388 and this year's budget is 15,560,000 as it stands. Councilor Desrochers asked if that budget number includes any grants and did last year's number include any grants or are those numbers without grants. Superintendent LeGallo stated that both those numbers are without grants. Councilor Desrochers asked what was the total budget last year with grants. Superintendent LeGallo stated they had \$2M in grants. Councilor Desrochers stated then your budget last year was \$17,304,388. Superintendent LeGallo stated that the grants will be included in this year's budget as they stated last year. School Board Member Brown stated the grants will be in the revenues. Councilor Barton asked what was the most the school has received in grants say over the last ten (10) years. Both School Member Brown and Superintendent LeGallo stated they don't know with everyone being new that they would have to do research. Superintendent LeGallo did state that grants are being reduced as enrollment goes down. When the budget is presented those numbers will be estimated as they don't receive the final grant number until May or June.

School Board Chair Dow stated he asked Superintendent LeGallo to flat line the budget and as it stands now they have \$262,380 more to cut to reach the flat line budget. Most of the grant money is for specific items and where the money is to be spent. Councilor Desrochers asked what are the grants needed to be used for. Superintendent LeGallo stated the biggest grant is the Title I grant and that is about \$850K and that pays for teachers, support staff to provide remedial instruction. In the middle school they have four (4) teachers and are going to hire a

fifth (5). There are twelve (12) assistants in the elementary school and for the summer school. Title IIA is another grant and that pays for professional development for teachers and it pays for most of the curriculum coordinator's salary. There is the IDEA grant that pays for some of the personnel. Some computers were bought with some grants and a testing program was bought for the middle school. He stated when the council gets the budget each grant will be shown and he will explain what they are for.

Councilor Giunta asked Superintendent LeGallo if the requirements for grants weren't there would that be helpful. Superintendent LeGallo stated he called DOE and talked to the Title I people and asked if there was anyway Title I money can be used for the shortfall and the person he spoke to didn't know and would look into it but she wasn't that hopeful. Councilor Giunta Councilor stated that Frank Edelblut is the commissioner and knows what is happening in Franklin and has offered to have a meeting with him to see how he can help. Councilor Giunta asked Superintendent LeGallo to put a list together on how it could help them and instances on how it could help them and will go meet with him. Councilor Giunta stated he would set up the meeting.

Councilor Desrochers stated at the school board meeting last night they spoke of the roof at the middle school and doing it in three (3) stages. His concern is that when they get to stage three (3) the cost will be just as much as if they paid for it all at once. The taxpayers can't afford an increase in taxes or anything else. He stated 30% of the residents in Franklin are on a fixed income, 25% are on some type of assistance and the avg. SS check in NH is \$1300, so what does Franklin do for money. People are considering selling their homes because of the schools but if you raise the tax rate too high to make the schools great people won't move here because the tax rate is too high regardless of how great your schools are, so you're stuck. The school's roof has to get fixed. School Board Member Brown stated they got an estimate from Melanson Roofing and the cost for phase I and phase II was \$201K each and phase III \$290K for a total of \$491K and that was as of this month. Councilor Desrochers stated that it would cost less if it was fixed all at once rather than over three (3) years as price of product goes up. School Board Member Brown stated fixing the roof is on the schools capital plan. Councilor Desrochers spoke about raises and due to budget issues he doesn't see how anyone in the city or school can get raises until the budget issues calm down.

Councilor Giunta asked School Board Chair Dow when addressing raises has there been any discussion about a freeze and can that be done contractually. School Board Chair Dow stated he has two parts to that but first wanted to readdress the roof. The schools grounds supervisor had contacted other agencies who didn't call back even right up to the school board meeting last night so that is the only roofing bid they received. School Board Member Brown indicated that the bid included the panel for the elementary school and the door. She also wasn't sure why no one got back to them for other bids.

School Board Chair Dow addressed the raises question by stating Superintendent LeGallo took no raise due to the budget shortfall and no other factors. Business Administrator Bergquist and the SAU staff didn't get a raise this year. The teachers, when there contract was brought forth, didn't have raises or steps in it for this year. It has been three (3) years that the teachers in this

district have not gotten a raise or steps and that is sad. Support staff and custodians got raises which was already budgeted for. School Board Chair Dow stated he wanted to clarify about the administrative pay raises that was being talked about. On Aug 15, 2016 School Board Members approved a 1.5% pay raise for four (4) administrators which included the principal and vice principal at the middle school, vice principal at the high school and the principal at Paul Smith School. The total cost of those raises was \$5,937 and the budget that was passed had \$11,074.20 allotted for those raises. In October it was brought up again to give these same people another 1.5% pay raise and that was rejected. He stated there were no large raises given to administrators and the top two and teachers took no raises.

Councilor Giunta asked if there was a breakdown of the \$693K increase. School Board Chair Dow clarified that out of that increase the Superintendent already cut \$400K and the remaining amount is from the retirement and health insurance increases.

Update on Consolidation

Councilor Giunta asked about School Board Chair Dow if consolidation was talked about at the school board meeting. School Board Chair Dow stated that they did not talk about it as their agenda was already very large and as a board they have not discussed it.

School Board Member Brown stated that School Board Member Burns would like to be recognized to discuss consolidation.

School Board Member Burns stated that at the City/School Liaison Committee meeting they agreed on two bullet points. The first was the software called Avitar. City Manager Dragon interjected and stated that Avitar is the assessing and tax software and the financial is Accufund. Councilor Dzijna stated they talked about the financial practices and buying power to consolidate both. There was discussion about another item and about the utilization of an office in city hall. City Manager Dragon clarified that consolidation has been talked about for a few years and there still seems to be some confusion. Consolidation is combining the two finance departments into one and providing a service to the school. This will allow all the reports to come out of one place and system and will address the issues with reporting and other issues that they struggle with. For that to happen all those employees would be in one office and the finance office in city hall is already set up for that. City Manager Dragon stated that at one point the Superintendent stated that he would be too far away from the finance office so she stated there is another office that can house the Superintendent and his secretary in city hall as well. The school would still retain control over their decisions and how their money is spent. This would alleviate problems like having the setting of the tax rate so late that it caused tax issues for our residents. If we were consolidated those types of things would not happen.

City Manager Dragon stated that with the meetings that have been happening with Finance Director Milner, Superintendent LeGallo, Business Administrator Bergquist and herself they have been able to communicate more and discuss the issues they are having with each

organization. If we were all located in the same building there can be more meetings and even better communication about issues that are coming up. It would also create a Human Resource piece that both organizations don't have. The finance office would consist of all the same current personnel just their job functions and duties would be reorganized creating a HR person. It is not just about one software program in the end; it is consolidating both finance departments into one.

Councilor Barton asked what is still in the way of consolidation with the school board. Councilor Burns responded by stating they would like to call it collaboration rather than consolidation as he feels for the public that gives them a better sense of wanting to work together. In March the school is finishing their budget and School Board Member Burns and School Board Member Hallett-Cook will give the city the Community Guide they have created. A form will go to the public and explain collaboration between the school and city. City Manager Dragon stated that over the past few years dealing with this, the school board is concerned about loss of control and that is not the case. There are other cities/towns that are consolidating two finance offices into one.

Councilor Giunta stated there is a soft step here and the school needs to roll this out again with the budgets the way they are and the need to find money this only makes sense.

School Board Member Doucette stated that efficiency relates to a dollar amount and he needs to see what that dollar amount would be. Finance Director Milner stated a few years ago that amount was about \$37K.

City Manager Dragon stated that the number was much bigger when they started but you have to take into consideration the not seen items like the auditors are doing the school's financials and that is costing a lot and you would save those dollars. The city writes their own financial statements as the school is not at that level and this is so important for the timing and accuracy of the audits. There are other savings like making sure that with a push of a button the financials get done on time and that there is the trust in the numbers. It is a move towards the school and city being a team and that would improve the relationship. City Manager Dragon meets with her Dept. Heads and they brainstorm on the budget and then working as a team ensures the city's budget is brought under the tax cap each year. She feels that working as a team would give the school and city a better understanding of what each other is facing on a daily basis.

Councilor Giunta stated to School Board Member Doucette that there is more of a soft value and he suggested that School Board Member Doucette meet with City Manager Dragon to get a better understanding of the whole picture.

School Board Member Brown stated Franklin is on 2016 audits and SAU is going to be completed by June and then be on target to have things done in a timely fashion. She feels that the past is being brought up again for the past administration and they are on track to have everything caught up for June so when withdrawal happens they are ready.

School Board Member Doucette stated he thanks School Board Chair Dow and School Board Member Burns for keeping everyone up to speed and he doesn't foresee the school board being an issue for the tax bills not going out again. City Manager Dragon stated the tax bill issue is related to a current administration issue and had nothing to do with past administration. The tax delay was due to not reconciling current year issues. Those issues go away if you consolidate as the city does accounting at a much higher level than the school. School Board Member Doucette stated what does it matter if we are on the same software and there is a cat 6 cable between us. City Manager Dragon stated we are not currently on the same software and someone has to reconcile it monthly and someone has to be responsible for chasing down errors and reporting the budgets correctly and timely. She stated you can be on the same software but it is only as good as the information going in. If you are not going to consolidate then having the same software is not going to address those issues.

Councilor Giunta asked that School Board Member Burns and Councilor Dzujna continue to work on this. He asked School Board Chair Dow and City Manager Dragon to relook at the numbers as to the soft savings that will occur. City Manager Dragon stated that they have talked about that and to also have a meeting to go over any updates and changes that have occurred over the years.

Councilor Dzujna mentioned that consolidation isn't giving up control and it has to remain positive and get the items off Franklin's talking Facebook. The information has to get to the teachers as this isn't about giving up power and the school board needs to reinforce that and not say it is about giving up power/control. He stated that last night at the school board meeting that there was a teacher going on and on about how the tax rate has been going down on the school side and always rising on the city side over the last eighteen (18) years and that got the public all riled up. This is going to cause other problems and we need to be more diligent at how we present and say things.

Councilor Giunta stated that is one of the problems with social media is people take things that are posted there as gospel when most times it is incorrect. He is going to take care of setting up a meeting to see Commissioner Edelblut.

Councilor Desrochers stated that Finance Director Milner, City Manager Dragon and Superintendent Legallo all deserve a round of applause for all the work they have done together over that past several months as that is the most teamwork that he has seen in the past five (5) years.

City Manager Dragon passed out the minutes from the last meeting that were done by the school.

Meeting adjourned at 7:14 p.m. by Councilor Desrochers and seconded by School Board Member Brown.

Respectfully Submitted,
Lauraine G. Paquin