

**JOINT CITY CO UNCIL/SAU 18 FRANKLIN AND HILL SCHOOL BOARD MEETING
MONDAY, SEPTEMBER 22, 2014**

Call to Order

Mayor Merrifield facilitated the joint meeting and called the meeting to order at 6:30 p.m. in the Council Chambers, Franklin City Hall.

In Attendance

City of Franklin – Mayor Merrifield, City Manager Dragon, Finance Director Milner, Councilor Dzujna, Councilor Giunta, Councilor Cournoyer, Councilor Desrochers, Councilor Feener, Councilor Starkweather, Councilor Barton and Councilor Clarenbach.

Absent – Councilor Boyd

Franklin School District/SAU 18 Franklin School Board – Superintendent McKenney, Business Administrator Bergquist, Mr. Mike O’Neill with MRI, School Board Chair Tam Feener, Member Al Warner, Member Angie Carey, Member Peter Heath, Member Greg Husband, Member Ed Cogan, Member Tim Dow, Member Kathy Russo, Member December Fortin from Hill, Member Shelly Henry from Hill and Member Nancy Coffin from Hill.

Absent – Member Chad Carey

Salute to the Flag was led by Councilor Dzujna. Mayor Merrifield turned the meeting over to Finance Director Milner and she gave a presentation on the proposed consolidation of the City and School Finance offices that she and Mr. O’Neill had been working on for about a year. Attached is a copy of the presentation.

Director Milner advised some changes have been changed on this presentation from the one that was done at the Joint Finance Committee Meeting. Director Milner handed out copies to every one of the presentation and stated she and O’Neil are at a point where a consensus is needed as to whether to move

forward or some approval so we can move forward as staff time is now being expended and funds would need to be spent on accounting software and/or conversion of software and feedback is needed before going any further. Director Milner stated the expected benefits of consolidation would be effective use of talent from the City and School as well as efficiency, accountability, transparency, support, cohesion and consistency.

Anticipated results from a consolidation would be timely reporting for the tax rate setting process, for borrowing and the many grants held between the School and the City. Consolidation of the staff creates growth for everyone. A growth in service would be realized and more services City wide that could be offered and some examples would be reporting, purchase orders and human resources. Internal controls would be improved. There is no reduction of people in the consolidation. A HR Director, which the school or the City currently does not have, would be another benefit of consolidation and the HR Director would serve approximately 325 employees which is a definite benefit. Director Milner went over the job description of the different positions and their general duties which is listed in the attached printed presentation. There definitely would be a savings with consolidation and service would certainly be an improvement. Director Milner stated everything is very preliminary and the accounting system still needs to be addressed. They agreed the system used by the School is not the way to go. The City uses Accufund but could be it may be necessary to go out to bid for a system.

Payroll dates will need to be addressed as the School is paid bi-weekly and the City pays weekly. License for Accounting will also need to be addressed. Director Milner commented that the School District uses purchase orders and if consolidated could be of great benefit to the School and City. Director Milner stated all this consolidation would do is provide a service; no one is losing power or authority. She further stated change can be hard but sometimes change is important.

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Director Milner stated what is needed now is some direction from the School Board and the City Council. Mr. Mike O'Neill stated at this point it is a conceptual plan and you will have to decide which way you want to go.

Manager Dragon complimented Director Milner and Director O'Neill on doing a great job on this proposed consolidation. She stated the consolidation makes sense, will enhance service as well as be a cost savings.

Superintendent McKenney stated he has spent some trying to figure out how the concept that the School Board can agree or disagree as to what is going on, it is the SAU Board that needs to agree or disagree. Supt. McKenney stated he probably won't be here next July 1st, the theory and the concept sound pretty good, to be more proficient and save money is a good thing. He stated the question he is looking at is can the City Council consolidate the SAU18 Business Office. He advised he contacted two attorneys, one being Barbara Lohmann as the attorney for the SAU and Matt Upton for the City. He read the letter he received from Matt Upton which states that he understands the City's desire to try to save funds by bringing the business services into the City Finance Office, however; I don't think it is permitted by law. Under Franklin's City Charter the School District is a department of the City and the School Administrative unit which is the SAU is not. Specifically and pursuant to RSA 194C-1 the SAU is separate and a distinct legal corporation from the member school district.

Further and pursuant to

RSA 194C-4 the SAU is responsible for providing superintendent services including overall financial administration for the member school district. Since the Legislature has chosen to have the SAU provide such financial services they cannot be provided by the City of Franklin. If you look further you will see that the Business Administrator, Accounts Payable and Receivable personnel are in the SAU Budget. Supt. McKenney commented in a conversation with Attorney Upton he emphasized that he thinks that it is a violation of law; that the City Council acting on behalf of one legal entity (the City) cannot go to another legal entity

over which it does not have authority (the SAU Board) and say we are going to take half of your employees and merge them in with us.

Supt. McKenney read into the record correspondence from Attorney Lohmann which stated enclosed is a letter addressed to Carl Hess that was written by me to him in 1998. It sounds as if the current proposal is similar to what was proposed then. As to the history of SAUs, it goes back to 1899. In 1899 two or more towns or special school districts were authorized to perform a supervisory district for the purpose of employing a superintendent of schools, 1899, Chapter 77. A 1990 Statute Chapter 106:9 turned the power to establish supervisory unions over the State Board which resorted to combine the several school districts in the State into a supervisory union and dissolve supervisory unions and form new unions. At some point, the name was changed to School Administrative Unions. As of 1996 there were fewer than 70 SAUs. In 1996 RSA 194C was enacted taking away the power of the State Board to create SAUs and allowing local school districts to decide this question. The State Board roll is now to review the plan and recommend for or against its approval however the school board but the final vote is left to the districts involved. RSA 194c:2, II b, the State Board to return a plan to the District that does not address all the requirements of an SAU Plan but cannot veto the plan.

Enclosed with this letter from Attorney Lohmann was the letter to Carl Hess, Superintendent of Schools, SAU 18 and Superintendent McKenney read that into the record regarding Ordinance 97-1. You have asked if Ordinance 97-1 which proposes to amend Section 6a of the Franklin Municipal Code is consistent with State Law. In my opinion sub-paragraph 3 payment procedures of Section 6a conflicts with RSA 194C-4. My reasons for this conclusion are set forth below. In Franklin 101 NH 344 1958 the NH Supreme Court said "the degree of control for to be exercised by either school board members or municipal officers must be ascertained by reference to statutory charter provisions. Under no circumstances, however, will municipal offices be permitted to exercise any greater degree of control over school finances than that clearly intended by the Legislature. In New Hampshire the extent to which the school finances are

subject to municipal control in each city is determined by its Charter 101 NH 346.” The Supreme Court also explained that under Franklin’s Charter “the City Council are the appropriating agency and the Board of Education exercises its general management and control of the public schools within the limits of the total appropriation. The Board of Education may transfer the money from one item of the budget to another; it does not have the authority to spend in excess of the total amount appropriated by the City Council.” The City Charter provides in Section 5 “the administration of all fiscal, prudential and district affairs of the school district shall be vested in the City Council except such as shall hereinafter be vested in the school board.” Section 6 provides that all property and debt for the school district are to be considered debts of the city. Section 15 provides that “the general management in control of public schools, buildings, and property sustaining thereto shall be vested in the board of education.” Section 6-a3 Payment Procedures of Ordinance 97-1 provides that all invoices, bill, claims and other demands for payment from the school district to be forwarded to the City Finance Office for payment. RSA 194-C4 Superintendent Services I. “each school administrator unit or single school district shall provide the following superintendent service. II. Governance in organization structure and delivery of administrative services including but not limited to: a. payroll, cash flow, bills, records and files, accounts, reporting requirements, funds management, audits and coordination with treasurer, and advisory board on policies necessary for compliance with all State and Federal laws regarding purchases.” RSA 194-C4 the new Statute which went into effect August 9, 1996 (1996 Chapter 298:3) normally when the Legislature uses the word shall in a Statute it means that compliance of the Statute.

Superintendent McKenney offered some of his concerns and first is the legality, is it legal to attempt what is being proposed. Hill is a concern ; Hill is an essential entity within SAU18 pursuant to the area agreement under which we still live. Loss of funds if Hill decides to leave is \$770,000; \$70,000 of that goes to the SAU, over \$700,000 for the students for tuition. If the plan goes forward as described the SAU Office would be made up of the Superintendent, two secretaries, and Curriculum Director who is grant funded at 52%. Who would move from the SAU

Office to the City's location? Business Administrator, key person and he stated that is a big concern for him as the Superintendent. It appears that the Business Administrator would then become a City employee. The Accounts Clerk, Payroll Clerk and an Accounts Payable Clerk, they too would become City employees. He advised that he spoke to them last week, they are very concerned about moving, they expressed displeasure with the thought of moving. The Grants Manager again a position funded by the SAU, that position has been reduced to a 50% position which is a significant savings of thousands of dollars. That person he is guessing would become a City employee. Personnel files used regularly by the Business Administrator and by the Superintendent staff office, will they stay where they are, how will they be shared? There is confidential information in personnel files but it is also confidential information about special education suits. If the City is managing the payroll, payments that have to go out to pursuant to IEC, would that be an unlawful sharing of information and the violation of confidentiality to those students. He stated in his opinion a Superintendent needs to have close and confidential communication on a daily basis with the Business Manager. Problems come up every single day which needs a consultation with the Business Manager. Superintendent McKenney stated we have general descriptions of jobs but if this proposal of consolidation goes forth job descriptions of each position needs to be done and should occur before any merger. The questions that the school employees are asking him is what happens to sick time, vacation time, health insurance, union membership if required, which health plan is better. They think their plan is better even though they pay 5%. How will time cards, invoices, leave requests, fund raiser request, establishing and getting salaries to new employees be coordinated with the business administrator and superintendent; also past payrolls W4s and all data that is currently readily available to both the business administrator and the superintendent?

We talk about saving money as one of the primary reasons for the merger but the school is already saving monies by reducing the grant administrator by 50% and we have not replaced the office manager position when we made that person the new business administrator. So, there is savings there in excess of \$18,000.

Superintendent stated he is only giving advice and stated he can't say if he is for or against, he will leave that to the City Council and the SAU Board.

Mayor Merrifield inquired if the SAU Board can contract for services like this when the law says we have to provide, however, the Mayor stated he does know that the law allow the SAU to contract for example the superintendent services.

School Board member Greg Husband spoke in favor of the project stating we all need to work together and find a way to make this work for the sake of providing the best services to the entire community.

Councilor Dzujna stated it was mentioned by Superintendent McKenney that some of the employees had concerns about being hired by the City and he asked what those concerns were or why they felt like that. Superintendent McKenney responded they were concerned as to whether they would lose their accumulated leave, health insurance claims, their rate of pay, will they have to join the union or not.

Councilor Feener thanked everyone for coming to the meeting. He stated after the Joint Finance Committee Meeting we felt it was important to hold this joint meeting to discuss everything that has been going on well over a year now. He thanked Mike and Judie for all they have done working on this proposed consolidation. Councilor Feener stated he has been in favor of this all along as it will save money and also provide the School District, the City and the SAU some timely and accurate reporting as this has been an issue over the last few years. He stated on the things heard in the letter the Superintendent read is responsibility of the SAU to provide the services. He stated it sounds to him that you would be able to sub these contracts out done by many other entities. You can quote all the RSAs you want but until an authorized body brings a suit against something being done and if all those involved say to go forward it should be fine.

School Board member Al Warner commented he is concerned about the RSAs but it very well may be on how it is constructed. He further stated with some of the comments he has heard that are negative he would not make a decision at this time. He also inquired if there were other municipalities that had done a consolidation and if so we could learn a lot from that. He is also concerned about Hill and if we would lose Hill because they are opposed to this, the district is losing a lot of revenue. He further stated he would like to give more time to look at this proposed consolidation.

Councilor Feener asked if the City's attorney has been asked about this proposal and has he said it is feasible. Manager Dragon advised we talked with the City attorney in 2013 when we first started to look into this project and she stated a lot of it is how it is phrased and there are ways to do the consolidation if everyone wants to do it and it would be up to the lawyers on both sides to figure out how to make it work. But, first you have to decide do you want to make it work.

Councilor Desrochers stated he is in favor of going forward as long as the school does not lose any control over how they spend their money. He stated his understanding is the school will get their money like they always do and they will spend how they see fit depending on their budget needs and all that will come out of this is one office paying the bills. Some people seem to think that the City trying to control the schools but that is not the case. The school is a separate entity but have a joint finance office.

Ms. Shelly Henry from Hill stated her comments may be all over the place because Hill was brought into this proposed consolidation late as the Superintendent called her on Friday and said the City Council was going to meet with the Franklin School Board and she stated she did not allow him to finish his sentence and she responded that can't be, it has to be SAU. So that was the first word of contention that Hill was overlooked again. She stated she has heard all kinds of rumors that construction has been done, that a room is ready. She stated no one has spoken to them directly as to what their thoughts are. She advised she does have concerns about the SAU employees, and she does not know how they fit it.

She stated she thinks there will be no SAU employees and if they become City employees, there is no confirmation that they would stay. She stated she understands what is being considered is illegal. She stated there would be a Human Resource person working for the City under this proposal and the Hill teachers would then report to the HR Department under the City and she stated she has some concerns about that. Hill teachers currently are not paid by the Hill Selectmen so why would we want them paid by the City Council of Franklin. She stated she does not see this as something that would help anything and the City continually cuts from the Middle School and High School level and the City continually tried to cut. She stated it all rubs her the wrong way. She said someone mentioned timely and accurate reporting and she stated with the exception of the audit, there is no problem reporting timely and accurate.

School Board Member Peter Heath stated he is not against the consolidation but perhaps doing this in 2015 is too fast, maybe 2016 would be better. He also asked what happens if the consolidation fails how will it be put back together.

School Board Chair Tam Feener commented as with anything new you have to tweak it as you go.

Ms. Nancy Coffin from Hill stated a search is still going on for Superintendent and it might be a good idea to wait until a new Superintendent is hired before going any further in case the Superintendent would not be in favor of a consolidation of the finances. Councilor Desrochers commented that during an interview you state what is offered and if they don't like the set up, they don't accept the job.

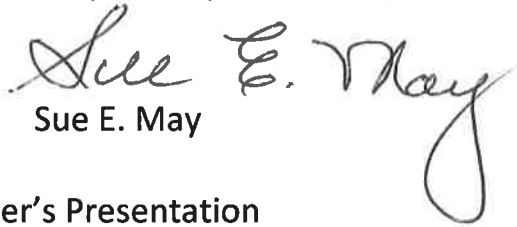
School Board Member Greg Husband quoted he feels we going down the wrong road with this. Change is difficult, especially something of this magnitude but there are different ways of getting where we want to be such as putting both entities on the same system right now. We don't need to be in the same building to combine purchasing. Mr. Husband stated perhaps we just need to move a little bit slower.

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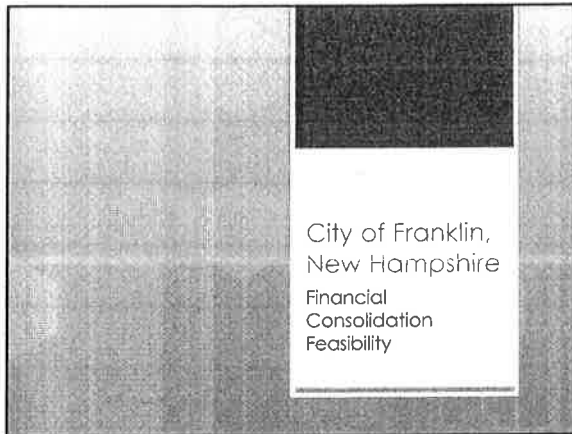
Councilor Starkweather and Councilor Clarenbach were in agreement to move more slowly and Councilor Clarenbach also commented the main concern needs to be the new Superintendent. School Board Member Carey agreed with moving slowly and also stated Hills concerns need to be considered. Mrs. Kathy Russo, SAU Board stated the SAU Board needs to talk about this.

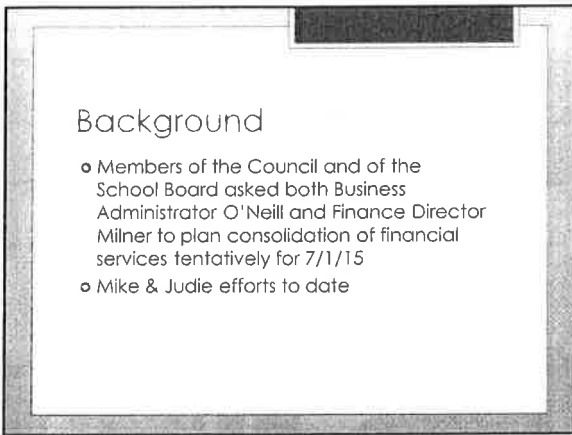
It was decided that the City Manager and the Superintendent will meet and speak with the attorneys and have additional information at the November 10th Joint Meeting.

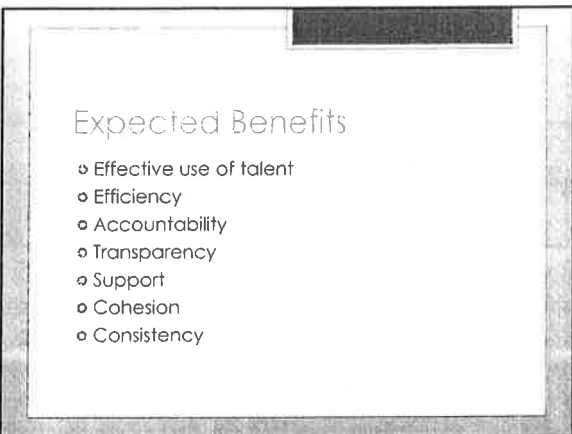
Respectfully submitted,


Sue E. May

Attachment – Finance Director Milner’s Presentation







Expected Results

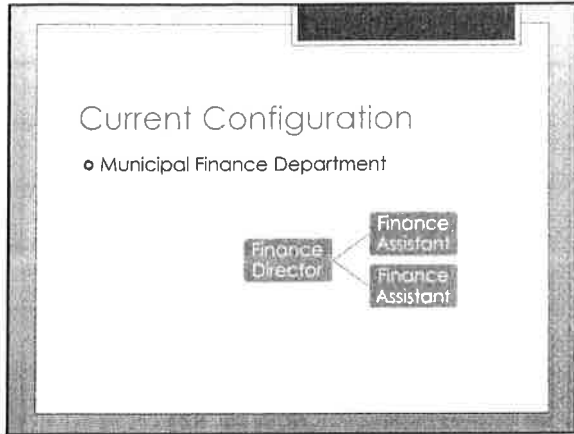
- o Timely Reporting
 - o Tax rate
 - o Borrowing
 - o Grants
- o Cross trained staff
 - o Same accounting rules
 - o Room for professional growth

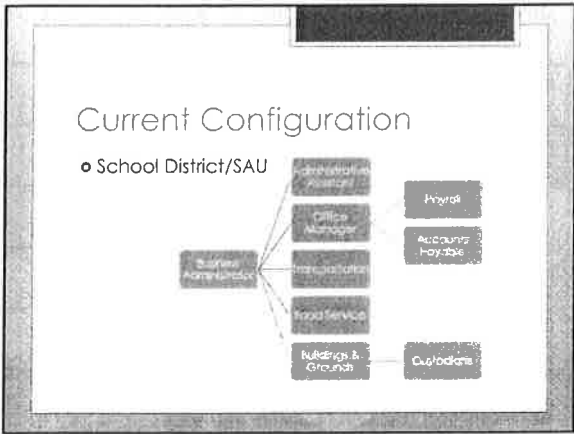
Expected Results, cont

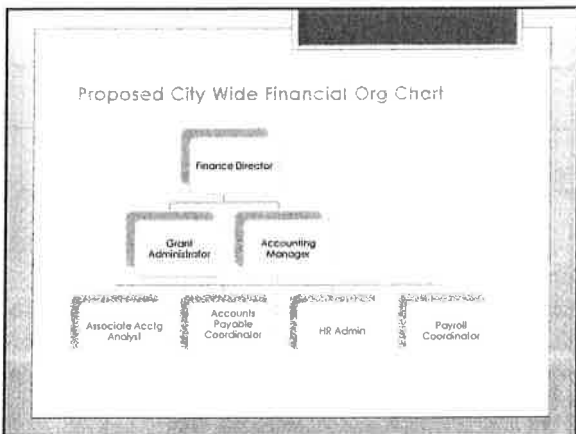
- o One point of accountability City Wide
- o Growth in Service (utilizing the talent we currently have)
 - o Consistent, reliable services City Wide
 - o Services not currently provided (but should be)
 - o Both Municipal & School District

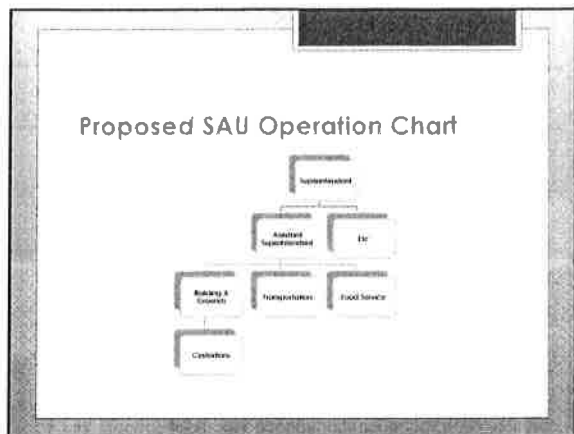
Process to date

- o Brainstorm
 - o Current staff duties
 - o Evaluated overlap/redundancies
 - o Evaluated internal controls
 - o Combined into proposed new positions









Indirect Cost Rate Discussion

3) 2321 Cost of Superintendent is Secretary and Assistant Superintendent. Enter the cost which reflects the salary, benefits, fixed charges, supplies and other cost of the Superintendent, Superintendent's Secretary and Assistant Superintendent (where applicable) whose responsibilities is directing and managing all pilots of the UJA.

The activities of the Assistant Superintendent's office should be charge here, unless the activities can be placed properly into a service area such as:

2500 Business - Assistant Superintendent of Finance. This is an "unfunded" cost that is subcharged from the indirect pool of expenditures, and is added to the direct pool of expenditures.

- ### General Duties
- o Finance Director – directly supervised by City Manager and Superintendent
 - o Supervises department, EE performance reviews
 - o Accounting System Admin
 - o Budget
 - o Internal controls, policies/procedures
 - o DOE/DRA reporting, tax rate setting
 - o Payroll & Financial Statement Audit

General Duties

- o Accounting Manager-directly supervised by Finance Director
- o Day to day supervision of payroll, accounts payable, accounts receivable functions
- o Financial statement preparation
- o Cash Recon
- o Trustee of Trust Funds coordinator
- o GL warrants
- o Po approval, audit accounts payable

General Duties

- o Grants Administrator-directly supervised by the Finance Director
- o Seek/apply for grants City Wide
- o Single Audit Liaison
- o Administer all grants
 - o School districts
 - o SAU
 - o Municipal
 - o Contingent grant line

General Duties

- o HR Administrator-directly supervised by Accounting Manager & Finance Director
- o All EE benefits
- o FMLA & Leaves
- o PR issues
- o Payroll to general ledger reconciliation
- o Payroll liability reconciliation
- o W-2, 941, NHRS reconciliations
- o Payroll exceptions, union contract implementation

General Duties

- o Payroll Coordinator-directly supervised by Accounting Manager & Finance Director
 - o Payroll input and processing
 - o Payroll vendor bill processing & recon
 - o Benefits support
 - o New Hire packets
 - o Risk Management central coordinator
 - o NHRS reporting
 - o Unemployment reporting

General Duties

- o Associate Accounting Analyst-directly supervised by Accounting Manager & Finance Director
 - o General ledger account reconciliations
 - o Inter fund transfers
 - o Budget review
 - o Capital Assets
 - o Centralized contract management
 - o RFP/Bid manager
 - o Cash Receipts

General Duties

- o Accounts Payable Coordinator-directly supervised by Accounting Manager & Finance Director
 - o Accounts payable input and processing
 - o Purchase order processing and recon
 - o Inventory
 - o Account Receivable Billing

Staff Consensus

- o Mike & Judie ask staff to bullet point their primary job functions
- o Mike & Judie presented the proposed org chart to staff
 - o Covered all job functions as presented by staff
 - o Answered questions and addressed concerns from staff
 - o Very positive meeting overall

Preliminary Budget Number

- o Payroll projections look to save about \$18,000
- o Software maintenance contract tentatively \$5000
- o Duplicate dues & fees minimal
- o Possible savings on Franklin School District audit process

Things to address

- o Accounting System
 - o Agreement on current school district
 - o Accufund
 - o RFP for new system
- o Payroll
 - o Frequency
 - o Pay date

Things to Address, cont

- o Logistics
 - o Who needs access to the accounting system
 - o Terminal server licensing
 - o Accounting system user licensing levels
 - o Internet connectivity
 - o Internal control evaluation

Things to Address, cont

- o Logistics, cont
 - o Process evaluation
 - o Example, purchasing system
 - o Cost/benefit analysis
 - o Think outside the box
- o Perception
 - o Providing a service
 - o No one is losing power or authority
 - o "us vs. them" attitude
 - o change

What we need

- o Input/Thoughts/Direction from Council & School Board
- o Currently have a preliminary look at the solution
- o Starting to involve vendors and commit staff time to move forward
- o Should we continue?
- o If so, Next step is to develop Project Schedule
- o If we move forward, open-minded support is key
 - o Top down attitude
