

CITY COUNCIL MEETING

AGENDA ITEM VI



CITY OF FRANKLIN
COUNCIL AGENDA REPORT

City Council meeting September 2016

From: Elizabeth Dragon – City Manager

Subject: City Council to consider setting a public hearing for adoption of the withdrawal plan for SAU 18

Recommended Motion: *“I move that the Franklin City Council schedule a public hearing on October 3, 2016 at 6:06pm to consider if the city council will accept the provisions of RSA 194-C providing for the organization of a school administrative unit involving schools districts of Franklin and hill, in accordance with the provisions of the proposed plan”*

1. Mayor calls for a second, discussion, and the vote.

Background:

The Franklin School board voted in 2015 to pursue Franklin’s withdrawal from SAU 18 which includes Franklin & Hill schools.

The Council then scheduled the required public hearing for August 3, 2015 to consider the establishment of the Franklin School District Withdrawal Planning Committee to study the feasibility and advisability of the Franklin School Districts’ withdrawal from SAU 18. According to RSA 194c, the committee is made up as follows: the school board makes two appointments, the council then appoints four members of the public, and 1 member of the city finance committee. The superintendent is also included as a non-voting member.

An advertisement was created and put on the city’s website to solicit potential interested members of the public to serve on the committee. Appointee profile forms were accepted at city hall until August 24, 2015.

At the August 24, 2015 the council voted to establish the withdrawal committee and considered applicants. David Testerman, Leigh Webb, Janet Deroschers, Councilor Giunta and Councilor Djzuna were all added as members of the public. Councilor Feener was added as chair of the city finance committee.

The withdrawal planning committee had numerous meetings to consider withdrawal and create a plan for withdrawal. The committee voted to move forward with the withdrawal process and held a public hearing on April 12, 2016 at the middle school. Several comments from the public were received and taken into consideration. As a

result the committee made amendments to plan.

The revised plan was sent to both Franklin & Hill schools April 4th and then the revised one on April 27th. The final plan was submitted to the department of education the week of May 13th.

The department of education had the plan on their agenda in the months of June & July 2016. The presentation of the plan was delayed at the request of the superintendent while they worked out a Memorandum of Understanding with the Hill attorney regarding division of assets.

At the August 15, 2016 the Board of Education voted to approval the committee's withdrawal plan.

The next step in the process is for the council to hold a public hearing. I propose the October 3, 2016 council meeting. No vote is taken at this meeting!

Once the public hearing is complete the city council must hold another meeting at least 15 days from that public hearing (but it cannot be more than 30 days). October 24th is the 4th Monday of the month and would be 21 days from the hearing.

Attachments/Exhibits:

1. Withdrawal plan approved by the Department of Education

Franklin School District SAU 18
Withdrawal Study
Planning Committee Report

Date: April 13, 2016

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Executive Summary

The Franklin Withdrawal Planning Committee has determined that having a single- district focus to its School Administration would be in the best interest of Franklin students, staff and taxpayers. The current SAU staff must divide their time between two school districts. After a withdrawal, this same staff will focus their attention solely on improving education in the Franklin School District. Overall, the Committee feels that despite the added cost that Franklin may incur, the dedication of SAU services focused solely on our students and staff, coupled with the ability to better manage resources and allocate them where they are needed are benefits that are worth the additional expense. Additionally, as part of the withdrawal committee meetings the committee considered the possibility of financial consolidation of the School District and the City of Franklin, which was not possible with Hill as part of the SAU as the SAU Board voted against consolidation. However, the Franklin School Board has voted, at this time, not to consider the consolidation and may review the possibility again in the future.

Introduction

The following plan is submitted to implement the withdrawal of the Franklin School District from School Administrative Unit (SAU) 18, and to create a new single district SAU in accordance with RSA 194-C. The plan is the result of the work of a committee to study such a withdrawal. The Franklin City Council formed a Committee in 2015 pursuant to RSA 194-C:2 to study whether the City of Franklin should remain in the current SAU 18 structure with Hill or withdraw and start its own SAU. The Committee members are:

- David Testerman - Chairperson and Member of the Public
- Leigh Webb - Vice Chairperson and Member of the Public
- George Dzujna - Member of the Public
- Scott Burns - Member of the School Board
- Janet Desrochers - Member of the Public
- Anthony Giunta - Chairman of the City Council Finance Committee
- Susan Hallett-Cook - Member of the School Board
- Daniel LeGallo - Superintendent

Background

Both the town of Hill and the city of Franklin are communities located in Merrimack County. Both of these communities have a long history, incorporated in 1778 and 1828, respectively. Hill is a primarily rural community and Franklin is a small city. Franklin has the lowest population of any of New Hampshire's thirteen cities (73% urban, 27% rural).

In 2014, Hill had a population of 1164 (255 aged 5-19) with approximately 43.6 persons per square mile and Franklin had a population of 8462 (1518 aged 5-19) with approximately 305.8 persons per square mile. Hill's per capita income is \$24,918 with a median household income of \$60,250 and 4.5% unemployment with 4.0% individuals below the poverty level. Franklin's per capita income is \$20,993 with a median household income of \$42,742 and 5.0% unemployment with 24.0% individuals below the poverty level. (*Economic & Labor Market Information Hill and Franklin*)

In reviewing the Annual Reports from the city of Franklin and the town of Hill, it appears that the communities became a school union (SAU) in approximately 1954.

Until 2014 Franklin shared an AREA agreement with the town of Hill. The NH Board of Education accepted the plan to dissolve the AREA agreement in April 2014. Currently Franklin has an MOU with Hill to educate the high school students attending Franklin at the time of the Hill vote to withdraw on March 18, 2015.

The AREA Agreement and the Memorandum of Understanding is provided in Appendix A

An SAU withdrawal study committee was formed on August 24, 2015. The Committee met several times from September 2015 through March 2016. Meetings were open to the public and included presentations from legal and financial personnel. The committee reviewed applicable RSA's and multiple withdrawal plans of other districts.

A timeline of public hearings and meeting minutes is provided in Appendix B.

All Committee meetings were posted on the SAU 18 website. All minutes of the meetings were also posted on the website. Notice of a Public Hearing regarding the Withdrawal Plan was published on the SAU website on March 27, 2016. Notice was also placed in both the Franklin and Hill School Districts.

A public hearing was held on Tuesday April 12th after which the report was finalized and submitted to the State Board of Education for approval.

If the State Board of Education determines all plan requirements have been met the City Council will hold a public hearing and then take a final vote on the withdrawal plan.

If all approvals are met the withdrawal would take place beginning on July 1 of 2017.

Franklin SAU Withdrawal Timeline is provided in Appendix C

Withdrawal Plan, Section A:

Administrative Benefits

- A single district SAU for Franklin allows for a more focused effort on the part of the Franklin School Board to work directly with the schools, in which its students will be enrolled, especially on matters of mutual interest, and relative to approved tuition agreements.
- A single district SAU for Franklin allows for the full governance of SAU services by the citizens and parents of the Franklin School District.
- A single district SAU for Franklin allows for autonomy and independence in making decisions on various aspects of our students' education in collaboration with the schools where they will be enrolled.

Student Benefits

- A single district SAU for Franklin allows for more focus on the educational mission of the Franklin School District.
- A single district SAU for Franklin allows for the undivided attention of the Superintendent in regard to the educational opportunities and needs of the Franklin School District and its students.
- A single district SAU for Franklin allows for autonomy and independence in making educational decisions that is in the best interest and meets the needs of Franklin students.
- A single district SAU for Franklin allows for better access to the Superintendent for students, parents, and the community.
- A single district SAU for Franklin allows for the timely and more effective implementation of long and short term goals and strategies to personalized education for each Franklin student.

Organization of SAU Services, including Operations and Control

The Franklin School Board will continue to employ the current superintendent to ensure SAU superintendent services are met as required by RSA 194-C:4. The Board and Superintendent will work closely and collaboratively to establish and implement policies and procedures that support high quality educational programming for all Franklin students.

Withdrawal Plan, Section B:

Estimate the construction and operating costs of operating schools and SAU

The potential operating costs of the new SAU were studied by the Withdrawal Study Committee. These estimated costs are detailed in Appendix D. The Franklin School District already houses SAU 18 so it can easily accommodate a newly formed Franklin District SAU.

SAU OVERVIEW

School Administrative Unit #18 is located in Franklin, New Hampshire. The SAU Office is located in the Franklin High School. The SAU is currently staffed by a Superintendent, a Business Administrator, Administrative Assistant, Payroll, Accounts Payable, IT Director, Communications Coordinator, an Ancillary Secretary and a part-time Grants Manager.

Franklin runs a comprehensive public school system Pre-K to 12. Hill runs a public school K-6 and tuitions their middle and high school student to the Newfound School District through an AREA agreement which is

currently for 10 years.

The table below provides the assessment distribution from 2011 to current.

SAU Budget and Assessment

	SAU Budget	SAU Assessment	Franklin	Hill
2016	\$821,017	\$755,733	\$662,022	\$93,711
2015	\$811,753	\$756,753	\$675,780	\$80,973
2014	\$811,038	\$746,190	\$674,560	\$71,630
2013	\$775,520	\$769,421	\$689,401	\$80,020
2012	\$816,821	\$769,476	\$689,401	\$80,075
2011	\$738,595	\$627,095	\$570,656	\$56,439

CONSTRUCTION COSTS

There will be no construction costs associated with the operation of a school or SAU for the Franklin School District. Currently, Franklin maintains and operates three schools: the Paul Smith Elementary School serving grades kindergarten through Grade 3; the Franklin Middle School, serving grades 4 through 7, and Franklin High School serving grades 8 through 12. The District's pre-school program is housed at the Franklin Middle School.

STAFFING

The Committee recognizes that due to Franklin School District's size and services, a full SAU is necessary. The committee envisions the SAU to be the same as the current SAU. It is proposing the following staff should be hired for a new single district SAU

- Full time superintendent
- Full time business administrator
- Full time administrative assistant
- Full time payroll
- Full time accounts payable
- Full time IT director
- Full time communications coordinator
- Full time ancillary secretary
- Part time grant manager

The Superintendent will be the Executive Officer of the SAU and the Franklin School District. The Superintendent will be responsible for the organization, operation and control of the district and will report directly to the Franklin School Board. The Superintendent will be bound by the authority and responsibilities prescribed in RSA 194-C:4 and in NH ED 302.01 and 302.02.

The support staff proposed in this plan are adequate to carry out the minimum required duties. Once the plan is adopted, the district will examine all staff positions to develop an organization chart that demonstrates increased cost effectiveness and efficiency.

BUDGETED WAGES

The committee proposal has adopted the staffing costs that exists in the newly adopted budget

Position	Description	FTE	FY 16	Proposed FY 17	Variance
Administrator	Superintendent	1.0	\$120,000	\$123,000	\$3,000
Administrator	Business Administrator	1.0	\$75,000	\$80,000	\$5,000
Administrator	IT Director	1.0	\$57,000	\$58,710	\$1,710
Staff	Grant Manager	0.5	\$27,500	\$28,325	\$825
Staff	Admin Assistant SAU	1.0	\$39,333	\$40,513	\$1,180
Staff	Admin Assistant SAU	1.0	\$39,957		-\$39,957
Staff	Payroll Specialists	1.0	\$40,082	\$41,284	\$1,202
Staff	Accounts Payable	1.0	\$36,966	\$38,075	\$1,109
Staff	Communications Coordinator	0.75	\$36,942	\$37,021	79.00
TOTAL	SALARIES		\$472,780	\$446,928	(25,852.00)
	FICA		\$34,688	\$34,260	(428.00)
	Retirement		\$49,063	\$46,232	(2,830.50)
	Insurance		\$168,220	\$130,256	(37,963.50)
	Unemployment and WC		\$5,667	\$5,690	23.00
TOTAL	BENEFITS		\$257,637	\$216,438	(41,199.00)
TOTAL COST	STAFFING		\$730,417	\$663,366	(67,051.00)

Withdrawal Plan, Section C:

Investigate the methods of financing schools and any other matters pertaining to the organization and operation of a school administrative unit.

FINANCIAL PRACTICES

The current employee expenses including health, retirement and taxes for the superintendent and staff support of the services for Franklin and Hill School Districts in the SAU totals \$730,417.

The current school budget is provided in Appendix E.

If the withdrawal was to proceed, there would be one administration assistant SAU staff eliminated. The potential savings is \$39,957 from salary but if everyone receive raises and possible increase of benefits or rise in insurance cost the net savings would be \$67,051.00. There is additional cost in savings from contracted professional services, contracted professional leases/rent and insurance and repair and maintenance which would be total of \$89,051. In 2017, the revenue lost by withdrawal is \$67,249 from Hill. The total savings from the withdrawal would be \$21,802. Since Hill students are leaving the district each year the savings could go higher.

Comparison of SAU 18 Budget to Proposed Single District SAU Budget

	SAU Budget	SAU Assessment	Franklin	Hill
2017	\$839,994	\$767,494	\$700,245	\$67,249
2016	\$821,017	\$755,733	\$662,022	\$93,711
2015	\$811,753	\$756,753	\$675,780	\$80,973
Proposed Single District SAU Budget				Difference
2017	Franklin	\$731,966	\$731,966	\$31,721
2017	Hill	\$95,563	\$95,563	\$28,314

SUMMARY BUDGET FOR FRANKLIN SINGLE DISTRICT SAU

The following summary budget was adopted by the Franklin Committee as a reasonable approximation of first-year operating costs beginning July 1, 2017

Description	FY 2016 Budget	FY 2017 Budget	Variance	Note
Salaries	\$472,780	\$446,928	(25,852)	
Benefits	\$257,637	\$216,438	(41,199)	A
Contracted Professional Services	\$37,500	\$21,000	(16,500)	B
Contracted Professional Leases/Rent	\$6,400	\$2,400	(4,000)	C
Advertising, Travel, Postage, Telephone	\$12,800	\$12,800	0	
Supplies	\$9,000	\$9,000	0	
Technology	\$6,500	\$6,500	0	
Insurance and Repair & Maintenance	\$9,100	\$7,600	(1,500)	
Dues, Fees, Conf. and Tuition Reimbursement	\$9,300	\$9,300	0	
TOTALS	\$821,017	\$731,966	(\$89,051)	

- A. This reduction was due in part to a change in the Health Plan
- B. This includes Audit, Legal and Technology services. It would be reasonable to assume that, at a minimum, the audit fees would not all be eliminated due to the single audit expense for Federal Funds
- C. The SAU would no longer pay rent to Franklin

SUMMARY BUDGET FOR HILL SINGLE DISTRICT SAU

The budget estimate below is the projection for the Hill School District. These cost are addition to the Hill School District present budget for 2017.

	Hourly Rate	Hours per Week	Weeks per year	Total (FY 17)	Notes
Superintendent /Principal				\$25,500	Estimated based on finding a Certified Person Additional to Salary
Superintendent Dues and Fees				\$1,500	Certain required meetings
Part-Time Payroll / AP Clerk	\$18	24	52	\$21,840	Position would handle payroll, A/P, A/R, purchasing (not approvals) Journal entries (not approvals) and reporting
Health				\$0	* Not needed for Part-Time Payroll/AP Position
Retirement				\$0	* Not needed for Part-Time Payroll/AP Position
FICA				\$6,953	
WC / UC				\$0	* Not needed for Part-Time Payroll/AP Position
Supplies				\$1,500	Will include start-up supplies and printing - May reduce after one year.
Furniture					To be determined
Business Software				\$2,000	This amount is still to be verified - Expense to split current program.
Business Administrator Services	\$45	9.5	52	\$22,230.00	This model is for a one day a week including Board Meetings
Technology Services				\$6,240	For Maintaining the school's website, server files, firewall etc... Could be reduced and offer to staff with a stipend
Special Education Services				\$7,800	For administering SPED in the district. On an as needed basis.
Misc. Expenses					
TOTAL				\$95,563	

Withdrawal Plan, Section D:

Prepare an educational and fiscal analysis of the impact of the withdrawing district on any school districts remaining in the school administrative unit and a proposed plan for the disposition of any school administrative unit assets and liabilities.

1. The Committee believes that there would be little or no impact on the Hill School District. Hill effectively withdrew from the SAU when the Town of Hill voted to remove their middle and high school students from the SAU. Hill now has a ten year agreement with the Newfound district and there is no option for Hill to return during this period. The Jennie Blake School remained within the SAU for oversight only by the Superintendent's office with all teachers and direct staff paid for by Hill. Franklin and Hill have entered into a Memorandum of Understanding (MOU) to continue to provide educational services, through tuition, to students who were in High School at the time of the vote. Franklin remains open and willing to provide educational services through tuition and to invite Hill teachers to participate in Franklin professional development opportunities.
2. The Committee believes that there are several options available to Hill if Franklin withdraws. These options are:
 - a. Option A: Hire their Principal to be the Superintendent and then hire part time staff (Business Administrator, Special Education Director, Book keeper) to provide the services.
 - b. Option B: Enter into an area agreement with another district/coop so the services can be provided
 - c. Option C: Put out an RFP and contract out all or some of the services.
 - d. Option D: Negotiate a contract with the Franklin School District to provide the services.
3. Assuming the State Board of Education approves this request, the Franklin School District expects to offer employment to most of the existing SAU 18 staff and in essence, maintain the existing SAU 18 administrative structure as a single district SAU. Franklin would request to keep the SAU18 domain name as so many domains and e-mail addresses are using "sau18.org" in Franklin, whereas Hill has very few employees and would have a much easier time changing to a new name.
4. The committee has audited the assets and determined that the only asset allocations for Hill are those in the current SAU offices. Franklin agrees to honor and settle its share of any outstanding liabilities in excess of assets. (see list of assets in Appendix F)

Withdrawal Plan, Section E:

Unique Issues

"SAU 18"

The Franklin planning committee is requesting to retain the "SAU 18" number as an assignment to the new SAU because so many of Franklin's digital resources (web domain, emails, etc.) are associated with this.

REPAYMENT OF MIDDLE SCHOOL BOND

It has been determined by the Committee and in consultation with legal staff that as negotiated when Hill voted to remove their middle and high school students the town of Hill continues to be responsible for the repayment of the Middle School Bond for the period of four years at a cost of \$30,000 per year.

Conclusion and Signatures

It is the Committee's recommendation, on a vote of 4-3 that Franklin withdraws from SAU 18. The majority believes the financial effects to Franklin are negligible. This will give Franklin complete control over decisions for the Franklin School District. The Town of Hill would remain as a single district SAU and have several options to consider moving forward.

Respectfully Submitted,

Name	Signature
Dave Testerman, Chair	_____
Leigh Webb, Vice Chair	_____
Scott Burns	_____
Susan Hallett-Cook	_____
George Dzujna	_____
Janet Desrochers	_____
Anthony Giunta	_____

Memorandum of Understanding

This Memorandum of Understanding is hereby entered into on this the _____ day of August 2016, by and between the Franklin School District and the Hill School District for the purposes of memorializing an agreement on the division of assets of School Administrative Unit 18 as of June 30, 2017.

NOW THEREFORE, and in the event the Withdrawal Plan of the Franklin School District receives all necessary approvals, the undersigned parties agree as follows:

1. During the 2016-2017 fiscal year, the Hill School District's contribution to the operating costs of SAU 18 equals 8.76%. The Franklin School District agrees to purchase the Hill School District's interest in the assets listed in Appendix F at the rate of 8.76% of the fair market value of the assets at the conclusion of the 2016-2017 fiscal year. Accordingly, the undersigned parties agree that the Franklin School District shall pay the Hill School District the sum total of \$1750.00 for its share of such assets and will also provide the Hill School District with four filing cabinets, one laptop and one desk-top computer.
2. The undersigned parties do not anticipate SAU 18 having any surplus cash or ongoing liabilities at the conclusion of the 2016-2017 fiscal year. Notwithstanding, the Franklin and Hill School District agree that once the 2016-2017 fiscal year audit is complete the parties with share in any cash or liabilities in proportion to the relative contributions of the districts to the operating expenses of SAU 18 in the 2016-2017 fiscal year (Franklin 91.24% and Hill 8.76%).
3. During the 2016-2017 fiscal year, SAU 18 has agreed to segregate the data in the SAU's computer systems so that each district can retain the data it needs to carry out any functions presently provided by SAU18. To the extent SAU 18 is unable to complete the segregation and delivery of such data by the

conclusion of the 2016-2017 fiscal year, the Franklin School District agrees to cooperate in all reasonable efforts for the Hill School District to secure such data. Each district shall be responsible for all extraordinary costs associated with the conversion of any such data to a new or different file format.

4. The Franklin School District, as the successor in interest to SAU 18, shall be responsible for any unemployment costs necessitated by withdrawal that exceed the unemployment premiums paid by SAU 18.

Date

Franklin School District

Date

Hill School District