

**Official**

# **BUDGET COMMITTEE MEETING**

## **MINUTES**

**Hooksett Town Hall**

**35 Main Street**

**Thursday, October 25, 2012**

### **CALL TO ORDER**

M. Miville called the meeting to order at 6:30 pm.

Pledge of Allegiance

### **ATTENDANCE**

D. Argo, School Board Rep, Chris Morneau, Steve Peterson, Tabitha Jennings, Todd Lizotte, Town council, Marc Miville, Frank Bizzarro, Nick Haas, and Tom Young

Excused: Tom Keach

Absent: Central Water Precinct and Village Water Precinct

### **APPROVAL OF MINUTES**

September 20, 2012

*T. Lizotte motioned to approve the minutes of September 20, 2012. Seconded by C. Moreau.*

*Vote unanimously in favor. Abstained J. Hyde and T. Young*

### **PUBLIC INPUT**

### **NEW BUSINESS**

#### **Budget Overview – Expectations and Goals**

#### **Hooksett School District – Dr. Littlefield**

The goal is to level fund all discretionary funding.

Non-discretionary funding is affected by federal and local government.

The state balances its' budget by passing costs onto local towns.

Health Insurance – We shifted two (2) years ago to School Care which resulted in significant savings. One advantage is we get our rates early for budget purposes. They are due within the next two (2) weeks. They are saying the increase will be no greater than 10% but we have a sense it will be lower.

The School's Dental Insurance is through School Care which has maximum of a 6% increase.

NH Retirement System – a year ago the system increased employee's contribution 5-7%.

The remainder is the responsibility of the employer. For the next two years, it will increase from 11.3% to 14.6%. The reason for the increase is a combination of things. For a long time the employer's contribution was artificially low and then the retirement system had a bad year in terms of investments and the fund lost money. The other issue

was previously the State contributed 35% of the employer's contribution. The State has reduced their contribution to 0. It is a combination of return on investment and a history of artificially low contributions.

The increase on the employee's part of 5-7% is being contested and is being rolled into one case which is being heard in Supreme Court. The judges also filed suit and won. If the employees prevail in the Supreme Court suit, the 2% increase will be returned to them and the employer will make up that difference. That has a significant impact on us.

The teacher's rate is a 2 year rate based on us prevailing at the Supreme Court level. If not, it will be adjusted upward.

For employees (other than teacher) that are retirement eligible, that rate will be 10.77% up from 8.8% for an increase of 1.97%.

T. Lizotte: We should all keep in mind it is all taxpayer money that goes to the State and then back to us. The taxpayer pays it both ways. Our taxes go to the State. The taxpayer pays for all government.

Dr. Littlefield: I am concerned with the taxes raised from real estate. The State has other ways of raising revenue.

Special Education tuition – I never complain about what we need to meet the needs of our most needy kids, but in many cases the services we have to provide for our most severe kids is expensive. I am looking at a \$575,000 increase in non-discretionary special education costs. We provide services from age 3 to age 21 or when they receive a H.S. diploma. In some cases we have kids for 18 years.

Then there is what is happening in Washington.

Common Core State Standards – Every 9.2 years it seems everything changes. In NH, we developed a well thought out curriculum for the State based on expectations and GLE's. They are now gone and have been replaced by the Common Core State standards. That bears no resemblance to the GLE. We are starting all over again. Some curriculum is more easily aligned with the Common Core Standards. A few years ago, we adopted a new reading program and we believe we can supplement that program to meet the Common Core standards. We cannot do the same with the Math program. In Hooksett, our current math program is everyday math which has been controversial. The Common Core standards have a different philosophy. It is a mastery approach rather than a spiral curriculum. I cannot put everyday math in kid's hands next September. We are currently piloting two common core compliant math programs. The cost for the math adoption is just under \$300,000 which must be done. When the State accepted stimulus money, the State used it to fund their adequacy aid. The Governor had to sign assurances to get that money and one assurance was that he would adopt common core standards.

We are not going to change curriculum without assessing how well our kids do. The NECAP is the big test. A new test is being developed and that new test will be based on common core standards. This test will be administered by computer. The software to administer the test has to be funded locally by the taxpayer. It is an unfunded mandate. There will be an impact on the technology that we need to administer the Smarter Balanced assessment. We are preparing budgets now, and the State has not finished the specification of what is needed for the test. We had to provide the State with an inventory

of what we have and they will tell us what we need to administer the test. We know we need stuff.

Sequestration - This is a fall out of the Deficit Reduction Act passed by Congress. If in January, Congress has not adopted a balance budget, then automatically discretionary spending in the US is cut. The estimate is that aid to public schools will be cut 8-10% in January (half way through the school year) When that cut will be lifted is when Congress can balance a budget. Our two biggest sources of aid are Title One and IDEA. We fund a lot of Special Education funding locally through the IDEA grant. This is sequestration. I'm pleased to report that the health insurance act of OBAMA Care will not have a fiscal impact on the Hooksett School District. Our analysis is that we have insured those that would need to be insured under the Obama Care plan. That is not the case in all the school districts in the SAU. That is effect on January 14, 2014.

The good news is 16 years ago the birth rate was down so we are anticipating a reduction in high school tuition of several hundred thousand dollars. It is 36 students less. That is an estimate. We just received our first tuition bill from Manchester. We verify every student we are billed for. We are in that process now.

T. Lizotte: What is that number?

Dr. Littlefield: I don't know. The bill just came in.

Dr. Littlefield: We do have a teacher's contract that is being negotiated now. I anticipate there will be a warrant article for a contract. We do have a contract for our support staff. Two collective bargaining agreements we have in Hooksett are Teachers and Support Staff.

T. Lizotte: Looking at the economic outlook, is it an opportunity to remove ourselves from the SAU?

Dr. Littlefield: I would say no, you now get me full time and pay only 60% of that cost. My opinion is that if you were a single district SAU, you would not reduce your staff and pay 100% of the cost.

T. Lizotte: I'm concerned, I read a common core power point and when you say we have common core, we had a lot of time to prepare but we were ambushed in terms of budget. The taxpayers are tapped. Services for Welfare are looking to be overspent. If we can't keep control of these budgets; it is nice to blame the federal government and I appreciate that if we pay the extra 40% of the SAU cost, we would have better forecasting of the coming trends.

Dr. Littlefield: You are lucky you have a Superintendent that does think out of the box.

T. Lizotte: We were never told how this will improve teaching; we are just told this is a mandate and this is how we will fund it. Is this going to be an ongoing taxpayer burden?

Dr. Littlefield: I understand that. If you have an educational leader that has a crystal ball, then withdraw from the SAU and go with him. I don't know what will happen on November 6<sup>th</sup>. You can't dismiss Federal mandates. The State is looking for waivers from No Child Left Behind. They release what the concepts look like but not the details. I know I have to administer the "Smarter Balance Assessment". That is a function of a dysfunctional government.

J. Hyde: What other gains, other than splitting costs, are there as a multi-town SAU? What else do we share?

Dr. Littlefield: You share curriculum development and we purchase as an SAU. If we chose a Math curriculum, we will go with all three (3) districts.

J. Hyde: Do we buy pallets of paper for all districts?

Dr. Littlefield: We bid as an SAU. We do open market utilities as an SAU.

N. Haas: I get to work in 5 states with all the school districts. Maine has Consolidation, NH has SAU, Mass has Supervisory unions. By far, in my opinion, SAU's are the most efficient. One way to cut costs is to streamline work flow and efficiencies.

J. Hyde: Given all those challenges, what ideas do you have now to bring to the table so that we don't feel that we have to look at the budget, with the million dollars of increases, how to absorb that without running over the taxpayer?

Dr. Littlefield: Historically, we have had a good relationship with the Budget Committee and have been able to talk about tax rate stabilization which is a plan. My experience in NH, there is intent to kick the heck out of next year's budget rather than what is our master plan and what do we need, and what as a community do we have for goals. I would think you need to look and think beyond the next fiscal year.

T. Lizotte: My belief is tax rate means nothing, it is the valuation. Now we are going to go to a downward trend so the tax rate will go up. Budgets drive tax rate and it is proportional to valuations. I'm concerned from a budget standpoint that the taxpayer pays more. You could be up against a default budget and is the school district prepared for that? If you have a justified need, the taxpayers in Hooksett are more than generous.

T. Littlefield: I respect your point of view but I don't necessarily agree with it. I am also a taxpayer and I wish my tax bill were coming out of Hooksett. I will say you and I are in it together. We have neighboring communities facing this. The issue in Manchester with the High Schools is a result of Manchester taxpayers saying enough. I would support a philosophy from the community that we will expect the services that we are willing to pay for.

T. Young: I worked on the Master Plan in 2002 and I'm stunned that you say you would work with the community to plan. It is time to revisit the Master Plan and I think your suggestion is prudent. If we had long term plans, they seem to work.

T. Lizotte: I think it was one thing brought up by Police Commission to do a Charrette. We could do a fiscal Charrette and do an outreach to get the pulse of the community and have a discussion.

Dr. Littlefield: You would never have a problem if you had a Master Plan with me sitting there. I will work with Hooksett. This is the first place I ever worked that didn't have a five year budget plan. We would always sit and look over the next 5 years, like the CIP but for the whole budget. I am a willing participant to look at Master plans and looking at multi-year budgeting which is forecasting. I would welcome that opportunity.

T. Young: Regarding health costs, what is our present program?

Dr. Littlefield: We have a traditional health insurance plan.

T. Lizotte: We asked for the Default by December 8<sup>th</sup>. Looking at the spending can you isolate the increases? Can you extract out Common Core costs so that it is not imbedded.

Dr. Littlefield: I'm aware of the default budget request and I won't give you an estimated default but as soon as we get our health care rates, we will do that. I wanted to affirm that we will provide the new format for budgets. We have received a request from a budget committee member to provide the high school numbers. Karen should have that information by next month.

I will ask that you don't do what you did last year with a number of questions at different times from different people. It becomes time consuming. If early in the budget process, give me an idea of some of the things you want so you're not asking at the last minute. It also works best if the requests come from my Board Rep.

T. Lizotte: If we can identify items that are impacted by common core.

T. Lizotte asked if there would be any increase in staff.

Dr. Littlefield: I anticipate requesting three (3) positions; two (2) are positions at Cawley to make the teaming structure at the middle school consistent. Last year I requested those two (2) teachers and the Board cut it. The need is still there. The elimination of the Director of Language Arts was a mistake. When eliminated, I raised the issue of incorporation of Common Core standards. The position is vital to our students' performance. The concern was due to the expense so I have different titles in my request which puts it on the teacher's salary scale.

**Town of Hooksett – Dr. Shankle**  
Hand Out of NHRS

We do not have a new tax rate yet. The Council discussed using fund balance to reduce the tax rate and decided to not use fund balance this year. The State suggests maintaining a fund balance of 8-10% and we have had about 5%. By not using the fund balance for taxes, we will end up with 5.1%. Total tax rate will be at \$22.51 up from \$21.68.

T. Lizotte: We have also seen a million dollar drop in valuation.

Dr. Shankle: We are also looking at revaluation next year which will make it difficult to estimate the tax rate.

Budget Goals – The Council set out to follow the same system as last year. We will do what we can to keep the costs down while maintaining current services.

CIP – The CIP process has begun. The bottom line is the same as last year. There is no significant change.

Retirement will increase; non-police and fire will increase from 1.97% to 10.7% which is an increase of \$40,000. Police will be an increase of 5.3% which will be 25.3% which is \$101,000 increase; Fire increase of 4.85 to 27.4% which is an increase of \$98,000 increase. That is all uncontrollable.

We budget for a 10% increase on health insurance; estimated 9% increase on worker's comp and 0% on insurance.

Some money will be coming back from LGC. We won't reduce the insurance end but it will go into revenue so we won't see an up and down spike in insurance. We need to not only figure out our portion but we need to figure out how to reimburse the employee.

Revaluation is required and the costs will not exceed \$137,300. We have \$44,000 in the capital reserve so it will be an increase \$93,300. It is a State requirement so it will go in both the budget and the default.

Other increases are the second year of the fire contract for \$53,000 and the police contract for \$48,000.

The 10 year TIF bond is a decrease of \$265,000.

DPW and Transfer workers are unionized and are negotiating a contract.

There are no significant increases in departments except for one staff increase for a potential part time clerk in the finance office.

Vehicle maintenance – a problem with gathering data is using it. They are tracking maintenance and now see how much is actually being spent on repairs.

Building maintenance is on-going.

T. Young: Regarding the Safety Center, that has been a thorn in the communities' side for 15 years. In the last year, there was a lot of water damage. Is that maintenance and repair built into the CIP?

M. Miville: Yes, there is a reserve fund for building maintenance.

Dr. Shankle: Maintenance of Guard rails which was cut last year may be needed. Family Service is impacted by the economic down turn.

J. Hyde: Revenue, do we know how we are trending?

Dr. Shankle: It is steady and everything is ahead of where it was last year.

J. Hyde: What impact will the Comcast contract have?

M. Miville: The Committee has given 4 options. We get about \$150,000 from the cable company.

Dr. Shankle: There is potential to lose about \$70,000 in revenue.

T. Lizotte: My position is past Administrations have embedded it so far into the budget that it is difficult to extract. We may reduce the time of the contract. We could as the economy picks up and we get more revenue, peel it back and go down in the rate as the contract goes. It is a hidden tax.

#### Discussion

T. Lizotte: My concerns with the School's budget are all the mandates don't mean we can fund everything from a taxpayer's standpoint. It could force default budget. I like the idea of a 5 year plan and coupling with the town with a forecasted technology plan. There are budget drivers there that could be forecasted and how they will affect the budget. Our job is to take the personalities out and present the budget. It is what we think the taxpayers can afford. The news reported a million dollar cut in school spending last year. The impact of money brought forward was only \$100,000. Even though it was a large number, the result was cost controls and in the end it was only \$100,000. I am concerned with the additional personnel and we don't have a forecast of what will happen in the future years.

Tom Young asked if data could be provided for the past 5 years for items including:

Road lengths

Tipping fees

Car registrations

5 year inventory of homes and commercial.

Fleet inventory

5 year of enrollments by grade from k-h.s. with special education broken out

#### **ADJOURNMENT**

The Chair adjourned the meeting at 9:00 pm.

Respectfully submitted,

Lee Ann Moynihan