

<p>Londonderry Budget Committee Minutes July 21, 2011</p>
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The Budget Committee meeting was held in the Moose Hill Conference Room, Town Hall, 268 Mammoth Road, Londonderry, NH 03053.

Committee Members present: Todd Joncas (Chair), Lisa Whittemore (secretary), Dan Lekas, Chris Melcher and Tom Dalton.

Committee Members absent: Rich Dillon (vice-chair) and John Curran.

Attending: Superintendent Nate Greenberg, Business Administrator Peter Curro and School Board Member John Robinson.

7:00 PM **I. Call to Order**

Meeting called to order by Chair Todd Joncas.

II. Pledge of Allegiance

III. Public Comment

None

IV. Committee Business

A. Approval of Minutes for the April 28, 2011 meeting

Amendments: Date needed to be corrected.

On a motion by Whittemore, second by Lekas, committee voted 7-0-2 to accept the minutes as amended.

Member	For	Against	Abstain	Absent
Todd Joncas	X			
Rich Dillon				X
Lisa Whittemore	X			
John Curran				X

Dan Lekas	X			
Chris Melcher	X			
Tom Dalton	X			

Motion passed 5-0-2.

B. Liaison Reports

Master Plan Steering Committee: Lisa Whittemore reported that this committee had its first meeting and elected officers. The committee will meet next Wednesday in the Cable Studio, and is in conflict with the Budget Committee’s work at the Public Hearing for the School Funding Issue.

CIP: Chris Melcher reported that the CIP committee held its organizational meeting and set its next meeting for Thursday, August 18, 6pm, MHCR.

Tom Dalton has been attending the Planning Board meetings; Woodmont has been put on hold until Sep or Oct when the project master plan is expected to be ready.

Lisa Whittemore reported that the Open Space Task Force is finalizing its report to present at the August 15 Town Council meeting with close attention being paid to the charge from the council.

Chris noted he attended the June 11th town council meeting when the fire dispatch issue was discussed. Budget Committee members Whittemore and Dalton were also present. The council voted to table the merge with Derry at this time. Whittemore noted that a new study committee will be investigating the option of combining fire/police dispatch within our own community.

C. Determine date of next meeting

School District Warrant: Todd noted that the budget committee will participate in all public meetings relating to the school funding issue.

The meetings are:

- School District Public Hearing, Wed July 24, 7pm, MHCR.
- Deliberative Session to be held on Tuesday, August 23rd, 7pm at the LHS Cafeteria.
- Special Meeting on Tuesday, October 11, 7pm at the LHS Cafeteria.

School facilities tours for the budget committee will take place on Monday, August 22 and Wednesday, August 24 at 6pm. Chairman Joncas said we will be cancelling the August 25 budget committee meeting due to the schedule that week.

The Budget Committee will meet on Thursday, September 22, 7pm at MHCR.

If additional meetings are deemed to be necessary in the interim, they will be scheduled with attention to timely public notice.

V. Old Business

None

VI. New Business

A. Administrative Unit

Chairman Joncas presented an overview of the funding issue for the committee. In summary, the school district has a shortfall of \$1.4m on Retirement funding from the state; there is approximately \$1.2m more than expected coming in from the Adequacy Grant. There is a need for a series of meetings to address this issue.

- **Wednesday, July 24th** the school district will hold a public hearing to allow the public to become informed about the funding issue.
- **Tuesday, August 23rd** is the critical **Deliberative Session**, where voters will decide how much money, if any, will be transferred to deal with this unexpected shortfall. The amount of the warrant article will be legally finalized at this meeting. 7pm, LHS Cafeteria.

If the proposal is approved as offered, the town will experience a 3cent/thousand reduction in property taxes.

- **On Tuesday, October 11th**, the voters of the town will vote on the warrant article as approved at the August 23rd meeting. No changes can be made to the amount at this time; only a yes or no vote will be taken. 7pm, LHS Cafeteria.

Business Administrator Peter Curro commented that after the Deliberative Session the final ballot vote will be held on Tuesday, October 11. It is the same process as the budget cycle.

Supt. Greenberg stated that the only article to be voted on October 11, 2011 will be the warrant article as voted on at the August 23rd meeting. If everything goes as planned that warrant article will be the district's request for the \$1.1m.

Approval of the proposed warrant article will have the fiscal impact of reducing the tax rate 3cents per thousand.

The budget approved in March would not be touched. People at the Deliberative Session on August 23rd could vote to increase the amount of the \$1.1m request, or they could vote to decrease it.

Because of the court ruling, the quorum requirement is no longer in effect. So if twenty people show up and eleven want to increase the warrant article to \$4m that can happen; (if) they want to decrease it to zero, that can happen, too.

School Board member John Robinson commented on the beginning of the crisis. The reason that the budget passed in March did not include all the funds necessary to provide for the Teachers Retirement Account is that the state had committed to funding the traditional 35% of total cost to the town. The school district budget was constructed with this commitment as part of the calculations.

Instead, the legislature - as a 'cost-saving measure' - reduced the reimbursement for the town's Retirement obligation from 35% to 25%. Robinson: "The state took a large amount of money out of our pocket." This was learned after the date the school district budget was finalized, so that it was too late to legally include the change in the figures. The maximum cost to fund this shortfall is approximately \$1.4m.

The state then gave Londonderry a greater amount in Adequacy grant funding than had been budgeted. So, we need to take the unexpected funds in Adequacy account in the amount of \$1.1m or \$1.2m and apply them toward the shortfall in the Retirement obligation.

Robinson continued...that allows us to get back to the "business of delivering the services we promised with the amount of money the voters said we could have."

Chairman Joncas commented that passing of this article would allow us to maintain the same level of services that the current plan offers.

Joncas: That level of service could change if the voters do not approve this article. Robinson: When it was learned that the money was going to be taken from us, the Superintendent came up with a list of items that were put on hold – the things that are on the knife edge; if we get the funding we will have them, but if we do not, they will be cut.

Supt Greenberg: "The state historically - until two years ago - funded 35% of the employers' share of the (Teachers) Retirement Account. That money doesn't show up on the school district's revenue side of the balance sheet, and it doesn't show up on

the (expenditure) side. Basically the funds go from the State Treasury, if you want to call it that, to the NH Retirement System.

Greenberg: “A day after our budget was approved by the voters the Governor came out with his budget and said, ‘Zero contribution from the state’; and then as we walked through the spring with the legislature basically they had come back and said, ‘Zero from the state.’

2% Employee Contribution: “Their claim is that the 2% increase in the employee share should generate 25% which would still leave us \$400-500k short. But we don’t believe that’s going to happen.

Recalculation of Retirees’ Rates: “Plus we won’t know because the Retirement System has to recalculate the numbers for the 50,000 people who are in the retirement system and they have to do it on an actuarial table.” That data is not expected to be available until January 2012.

Lawsuits: There are two lawsuits going on.

One (lawsuit) by the state employees association... (is) claiming that the 2% employee increase is unconstitutional... because you can’t increase the employee rate (as) you’re decreasing benefits.”

Two: (the old) NH Retirement trustee board which expired June 30th also instructed their counsel to file a lawsuit. They believe that the employer rate mandated by the new retirement bill does not reflect what the actuaries say should be the employer rate.

If either of these lawsuits should be successful, either we could be paying more money or employees will be paying less – which means we still need to pay more money to cover costs; it will compound it.

In response to this environment of fiscal uncertainty, the SAU administration froze \$1.4m worth of programs, staff and services. These were taken out of the budget as passed by Londonderry voters in March.

The timing of the vote – October 11, 2011 – also raised concerns because a number of the positions that were frozen were elementary positions, foreign language positions, etc.

If no action were taken to immediately address the shortfall and simply await the many possible outcomes school had started, at that point it would cause disruption, as teachers and staff would need to be moved after the beginning of the school year and this would have a negative impact on the children’s education in our community.

The schools will be opening on time and the district cannot wait to learn the outcome of all of these variables. Action is necessary now to provide sound fiscal policy for the voters, the district and for education in town.

The law determines the timing of public meetings: the timing of the public hearing, deliberative session and final vote on the warrant are mandated under law.

Peter Curro worked the numbers and found that, due to retirements and rif's there is about \$300 in Teacher Turnover money; at least part of this usually goes to cover Substitutes. \$200k is budgeted in Equipment account.

Calculated Risk: The district is taking the \$300k, freezing the \$200k in the Equipment account and taking a \$100k gamble. The district will bring back a number of the positions and programs (most elementary positions, a semester of physical ed., middle school funding, etc.).

If the community does not approve the funding proposal, the district will have to freeze accounts, not move forward with programs, plus not do what was on our initial freeze list of \$1.4m.

Robinson: The Deliberative Session on August 23rd has no quorum requirement and if it goes to the voters as a proposal to provide zero additional appropriations, there is no way the school district gets the money and these cuts will then happen. Don't take the Deliberative Session lightly; it will have a huge impact on what happens in September.

Greenberg: The reason that we are asking for the \$1.1m rather than the \$1.2m is that we are taking that Teacher Turnover money of \$300k to cover the difference.

Funding Shortfalls:

Under the best of circumstances there will be a shortfall of about \$775k in the Retirement funding. Even with the 2% increase there will be a fiscal shortfall.

The state also decreased funding in Vocational Tuition and Transportation accounts. To send our 130 kids to vocational education centers in Manchester and Hudson, we need another \$90k.

The federal government withdrew funding for IDEA and for Title IIA roughly another \$200k.

With these combined funding realities SAU #12 will experience a shortage in funding of roughly \$1m under the best of circumstances.

If the district experiences several catastrophic illnesses that affect the Substitute account, or we have students move in who need out-of-district placement, the budget will still be in shortfall. "We are taking a risk, but we think one that is educationally defensible."

If we don't spend all the \$1.1m, any money left over will be returned to the town as revenue for the next budget year and offset the tax rate for FY 2014. The district cannot – as the town can - carry over an unreserved fund balance from year to year.

Member Lekas inquired the potential shortfall in the retirement fund and was told that in the best case the revenue shortfall would be \$775,000 and the worst would be a deficit of \$1.4million.

Lekas: If the district incurred the best case scenario, what would be the amount of funds unused for the retirement account?

Supt. Greenberg there may be \$200k over in the case of best outcomes.

- The state withdrew anticipated funding to Tuition and Transportation in the amount of \$90k.
- The federal government held back anticipated funding for IDEA of \$89k and withheld funding for Title IIA in the amount of \$23k.
- IDEA is money that has to be paid to staff members that we have agreed to pay to staff members under contractual agreements. Title IIA Class Size Reduction money – we are obligated to pay.
- Earlier this year stringent measures were put into place regarding the account for substitute teachers, but there is the potential of unanticipated costs if one or more staff members becomes seriously ill or if additional special education pupils enroll. Teachers were gracious during the last budget cycle to give up their continuing education benefits and this may help to keep this account in check.

Supt Greenberg stated that if the district voters do not approve the transfer of these funds, then the programs and services in the amount of \$1.1 million the town voted on in March will not be provided. We cannot spend money we do not have. We are legally obligated to pay the retirement fund.

HB 650 allows school board to call a special district meeting; prior to this, the district would have to obtain approval from a court. Since the court system has been drastically defunded it was not realistic to expect that the system could handle such routine requests in a timely fashion.

The money raised from local taxes will actually be reduced by .03 cents.

Member Dalton inquired whether there has been information regarding opposition. Supt Greenberg stated that it is important to get the word out to the public and to help them to understand the issue.

While the amount of the budget bottom line will go up, local taxes will actually be reduced by this proposal.

There are no staff members in this proposal which were not a part of the approved March budget. The funds are needed to fulfill the positions and programs chosen by voters in March.

John Robinson commented: This is a unique proposal, it occurs in the summer and there is a concern that people will not be informed and present at the deliberative session.

This will be the first time that the school district does not have the safeguard of the quorum requirement. A small group of people can drastically affect the outcome of the Deliberative Session on August 23rd.

In response to a query from member Melton, Supt Greenberg noted that we had been scheduled to have a shortfall in Adequacy revenue of about \$1.3m for FY 2012. Formula was adjusted during budget negotiations to soften the projected funding losses for FY 2012 and 2013. For those years we will be getting roughly that same level of funding, based on enrollment, number of free and reduced lunches, the number of special education enrollees.

On a motion by Melcher/Lekas the committee voted to recommend the proposal to allow the transfer of \$1.1m as proposed.

Member	For	Against	Abstain	Absent
Todd Joncas	X			
Rich Dillon				X
Lisa Whittemore	X			
John Curran				X
Dan Lekas	X			
Chris Melcher	X			
Tom Dalton	X			

Motion passed 5-0-2.

VII. Adjournment

On a motion by Lekas/Dalton the committee voted to adjourn.

Member	For	Against	Abstain	Absent
Todd Joncas	X			
Rich Dillon				X
Lisa Whittemore	X			
John Curran				X
Dan Lekas	X			
Chris Melcher	X			
Tom Dalton	X			

The committee adjourned at 8:18pm.

RSA: 91-A: 2 Meetings Open to Public. – II. All public proceedings shall be open to the public, and all persons shall be permitted to attend any meetings of those bodies or agencies. Except for town meetings, school district meetings and elections, no vote while in open session may be taken by secret ballot. Any person shall be permitted to use recording devices, including, but not limited to, tape recorders, cameras and videotape equipment, at such meetings. Minutes of all such meetings, including names of members, persons appearing before the bodies or agencies, and a brief description of the subject matter discussed and final decisions, shall be promptly recorded and open to public inspection within 144 hours of the public meeting, except as provided in RSA 91-A: 6, and shall be treated as permanent records of any body or agency, or any subordinate body thereof, without exception.