

**KEENE BOARD OF EDUCATION
FINANCE COMMITTEE
Meeting Minutes**

DATE: October 4, 2011

LOCATION: Conference Room 100, SAU #29 Building, 193 Maple Avenue, Keene, New Hampshire

CALLED TO ORDER: 6:15 p.m.

TIME ADJOURNED: 8:55 p.m.

COMMITTEE MEMBERS PRESENT:

- Mr. Neil Donegan, Chair
- Mr. Chris Coates
- Mr. Carl Panza
- Mrs. Ann Szot, arrived at 6:23 p.m.

BOARD MEMBERS PRESENT:

- Ms. Kristin Blais
- Ms. Kathleen O'Donnell, attended a brief portion
- Mr. Kris Roberts attended, attended a brief portion

ADMINISTRATORS PRESENT:

- Mr. William Gurney, Co-Superintendent
- Mr. Wayne Woolridge, Co-Superintendent
- Mr. Tom Remillard, Director of Buildings, Facilities and Ancillary Services

OTHERS PRESENT:

- Mrs. Dru Fox, Stenographer
- Members of Public (2)
- Mr. John McMahan, KEA Representative
- Ms. Abby Spegman arrived at 6:20 p.m.

Mr. Neil Donegan, Chair, called the meeting to order at 6:15 p.m.

2. Approval of minutes of September 6, 2011.

Deferred until next month.

7. Budget Transfer

Mr. Woolridge presented his request to transfer \$11,629 in order to fund a community-based campaign related to the closing of one of our elementary schools. Mr. Woolridge read aloud from his memo dated October 4, 2011 detailing a list of items the communications firm would be responsible for. Mr. Donegan wondered where the money would come from and Mr. Harper said he was unsure and suggested the language to include that the funding source be determined by the Business Administrator.

Mr. Coates moved that the Finance Committee recommend the Keene School Board of Education authorize a budget transfer in the amount of up to \$11,629 to fund a community based communications campaign, related to the closing of one elementary school and realigning grade configurations in the remaining four schools, from a source to be determined by the Business Administrator and reported back to the Finance Committee. Mr. Panza seconded. Discussion ensued. Vote taken, motion unanimously passed.

4. State Budget Update

Mr. Harper presented information on additional costs associated with funding New Hampshire Retirement, which was ultimately passed on to employees. He explained that initially the district was looking at a one million dollar shortfall last spring which actually ended up being a much lower, \$372,884, impact on this year's budget. He clarified that the district was able to use Educational Jobs

Fund grant money and that the situation has since become very manageable and much better than he would have guessed back in March or April of last year. He concluded that the district came out about as well as possible. Discussion ensued. Mr. Roberts provided a further explanation on the state's position and how they approached their shortfall, explained that for the next two years the ROI will be 8.25% and further clarified the problem as seen from the state level.

3. 2010-11 Year-End Financial Report

Mr. Harper distributed a green "Year End Final Report dated June 30, 2011" and walked through the detail of information accounting for a 2011 year end surplus of \$3,359,067, \$250,000 of which must be transferred into the School District Maintenance Fund with the remaining \$3,109,067 being applied this fall toward reducing the amount to be raised in property taxes. He explained surplus on the revenue side of the budget in the amount of \$963,959 was due primarily to two sources, tuition from sending districts in the amount of \$243,964 and Medicaid reimbursements in the amount of \$719,996 and explained we are seeing more families qualify for Medicaid. He talked about expenditure surplus in special education accounts and acknowledged about a million-dollar surplus and clarified the challenge to project special education conservatively. His presentation continued; avoiding transfers from special education accounts, restriction placed on discretionary spending last spring, net impact of combined efforts, applying the surplus dollars, projected state revenue, anticipated sale of the middle school and his estimate of taxes to be raised to support schools. He spoke about the city's desire to close the tax rate and his recommendation to hold off until the middle school sale is finalized. Mr. Panza asked about and Mr. Harper explained why he feels the sale of any real estate is never a "done deal" until the check is in hand as anything can happen. Mr. Harper is extremely confident of this sale and will be surprised if it does not go through. Discussion ensued around the surplus in the buildings services account and the strategy behind trying to boost the surplus dollars due to the state budget process, Mr. Gurney's attempt to be proactive in his approach to the budget crisis last spring, building improvements and maintenance work completed over the summer and further clarification regarding the special education surplus dollars and budget. Mr. Coates wondered about applying a freeze in spending this year and Mr. Gurney explained why that would not be a good approach right now and would have a devastating affect while Mr. Harper reminded everyone that the state budget is a two-year budget and that we have more knowledge now than we did last spring when it was all up in the air.

Mr. Donegan asked about, and Mr. Remillard responded with information on the intent to blend two years' worth of CIP projects, some of those being on hold until there is clearer information on the future of our elementary schools. Discussion ensued. Mr. Donegan expressed concern over our budget not being as tight as it could be and Mr. Harper addressed the volatile nature of costs such as special education and clarified that the surplus reflects that this just happened to be one year when everything positive all came together and that surpluses were seen in many areas. He continued with a lot of things went into this outcome and explained when you budget for special education you must budget for the students that you currently have in the program. He likened this year to a perfect storm of special education, debt services and health insurance savings and assured the committee that would not likely happen often and that so far this year they are certainly not lining up that way again. Mr. Panza concurred with Mr. Harper's statement and provided an example of the budget situation back in 2008-2009 in which special education suffered.

Mr. Panza moved to recommend that the Keene School Board of Education approve the Keene School District Year End Financial Report dated June 30, 2011 as presented. Mrs. Szot seconded. Vote taken, motion unanimously passed.

6. Acceptance of Gifts

None.

7. Budget Transfers

Mr. Gurney presented information on a shared special education teacher between Wheelock and Franklin Schools and the request to transfer funds from a savings in their tutor accounts in order to hire a special education teacher for each school. Mr. Gurney clarified that this would be a simple transfer of funds that are already in the budget and continued that this approach comes from findings in the SERESC Report and recommendations of such. Mr. Harper wondered what the amount of the transfer would be and Mr. Gurney replied approximately \$65,000. Discussion ensued around each teacher's role and how would they be utilized in classrooms and consensus of the committee is for Mrs. Woods to present a vision to the board. Ms. Blais recommended communication to the public on what and why this is the approach.

Mrs. Szot moved to recommend that the Keene School Board of Education authorize a budget transfer not to exceed \$65,000 from various tutor line accounts at Franklin School and Wheelock School into their respective special education teacher accounts in order to fund a special education teacher for each school as outlined in the SERESC report. Mr. Panza seconded. Vote taken, motion passes unanimously.

Mr. Gurney brought up the band instrument and strings program and reminded everyone that last year these two teacher positions were increased from 80% to 100% and then spoke to the issue of increased student participation and success of the program. Discussion ensued over instructional line accounts affected, increase in benefits, expansion of the program into the high school and consensus of the committee is to closely watch and revisit this issue in a few months with the possibility of Ms. Yoerger presenting information to the committee.

5. 2012-13 Budget Guideline

Mr. Harper read aloud from his memo "2012-2013 Budget Guideline Information" dated 9/23/11 to the Finance Committee and explained each line on page 2 beginning with 2011-12 Gross Appropriation of \$62,365,275, less the capital reserve warrant article item for a net operating budget of \$61,615,275. Discussion ensued around the expenditure budget and building the budget from that perspective. Mr. Harper explained increases to the 2011-2012 net operating budget due to KEA and Paraprofessional contract increases, NH Retirement System rate increase, health insurance guaranteed maximum rate increase and increase in the First Student contract. He said after the decrease in debt service and addition of all the known changes, it amounts to a projected increase of 2.10%. Mrs. Szot asked about and Mr. Harper clarified health insurance buyouts, lower cost health care offerings and the matter of marriage adding into the plan, children aging out of plans and said as the year goes on the reality of these figures will be better known in a month or two.

Mr. Panza moved to recommend that the Keene School Board of Education adopt a budget guideline in the amount of \$61,615,275 for the development of a 2012-2013 Keene School District budget, which represents a level-funded budget to be inclusive of contractual obligations. Mr. Coates seconded.

Mr. Panza then passed out a packet of information and provided a white board presentation in support of level funding by depicting detail on school world level funding which includes contractual agreements and provided graphs of "Keene All Property Sold vs. Foreclosure Sales", "Keene Foreclosure Sales as a % of Total Property Sales" and "Keene Tax Delinquencies". Mr. Panza spoke about the country's financial shape and urged the committee to tighten up the budget.

Mr. Donegan suggested adopting Mr. Harper's recommendation because there are many opportunities in the coming months to adjust the final guideline and develop a budget. Mr. Coates provided information on being way under standards in terms of money we spend on maintenance and CIP and suggested there be a directive to ensure that when it comes to maintaining our buildings we perform due diligence.

Discussion ensued over the high school boiler situation, restructuring of our elementary schools, \$850,000 in our capital improvement fund and why this was not bonded. Mr. Harper explained about it being very difficult to sell a bond right now with state aid being cut back and clarified that a super-majority vote is needed to pass a bond and not just 51%. Discussion continued around the inception of

our capital reserve fund, minimal renovations needed at the elementary schools, “No Means No” law as it pertains to a bond that fails, how a reduction of \$1.29 million would affect the district’s programs, that it would mean eliminating much of what makes Keene “uniquely” Keene and tuition students and formula for calculating tuition rates.

Mrs. Szot recommended level funding and only adding in the contractual obligations of KEA and the para group so that we limit the proposed guideline to an \$800,000 increase over last year for a .8% increase. Discussion ensued. Mrs. Szot wondered about other creative ways to increase our revenue and Mr. Coates spoke about tuitioning other town students into Keene, increasing our efficiency and decreasing our capacity, the bleakness of the state situation down the road and never wanting to go through the process of closing an elementary school and having to open one back up or adding on to an existing building in the future.

Mrs. Szot moved to amend the motion to recommend that the Keene School Board of Education adopt a budget guideline in the amount of \$62,114,433 for the development of a 2012-2013 Keene School District budget, which represents a level-funded budget with the addition of contractual obligations only. Mr. Coates seconded.

Discussion continued.

Ms. Blais talked about the recent signing of the DOE 25 form, which indicates that our per-pupil costs are high at all three levels. They are already very high at the elementary level. They flew up at the middle school level and are now extremely high at the high school level. We have the same expenses yet with decreasing enrollment and she recommends that this district needs to have a strategy for handling this and something that is not simply adjusting to changing conditions. Discussion ensued around enrollment numbers at each level, innovative ways to make these cuts rather than the strings, band and foreign language programs. Ms. Blais spoke against making a reduction and dividing it up evenly into three levels as this approach will cut all extra programs at the elementary level. She spoke in favor of making budget cuts per capita, per student, and suggested any other approach would be irresponsible. Ms. Blais continued. If we cut the same amount at each level, the felt sacrifice will be different. She suggested that one might not feel sorry for cuts made at the middle school level given the new facility they are in. However, if you cut one small thing at the elementary level, parents will come out in droves to say that they cannot believe we have this brand new facility for middle school students and yet we have cut the only strings program that the elementary students have. She concluded that the fact is we are above average in elementary school costs but we are not above average in the services we provide at that level.

Vote taken on the amendment to the motion. Amendment to the motion passed by a vote of 3-1 with Mr. Panza opposing. Motion now on the floor is to recommend that the Keene School Board of Education adopt a proposed budget guideline in the amount of \$62,114,433 for the development of a 2012-2013 Keene School District budget, which represents an .8% increase from the 2011-2012 operating budget.

Vote taken on the motion. Motion passes by a vote of 3-1 with Mr. Panza opposing.

1. Public Input

Mr. Bernard Novak, 37 Myrtle Street feels that the committee is a little high in their proposed budget guideline increase and spoke about how other districts are level funding, cutting their budgets and hiring more part timers in order to save in the area of benefits.

8. Other

None.

Meeting adjourned at 8:55 pm.

Respectfully submitted,

Dru Fox
Stenographer

Approved: 11/1/11