

SOMERSWORTH SCHOOL BOARD

October 17th 2017

City Hall Chambers

7:00pm

1. **CALL TO ORDER - ROLL CALL - PLEDGE OF ALLEGIANCE:** Austin called the meeting to order at 7:00pm upon call of the roll the following members were present: Rivers, Smith, Austin, Hanlon, Hiller, Joanne Pepin, Yoder, Brennan and Bolduc.
2. **Revenue Shortfall Discussion:** Austin stated that the sole item on the agenda are the budget items that you have heard about. He stated that it will be two fold, one we need to come to a better understanding on why the projections changed and what we can do to prevent it from happening again and we need to come up with a solution on the budget gap. He stated that we need to submit a proposal Thursday at the joint meeting so we need to leave tonight with a firm proposal. He stated that he would like to set some ground rules so we don't go in a million tangents. He stated that he would like to break this into two parts first on how we got here and recommendations that we can take so we don't get here again and then second recommendations on how to fill the gap. He stated that we need to remain civil so we don't get into a personnel discussion because if we do we will go right into nonpublic. He stated otherwise we will be in public and be open as we can within those parameters. Joanne Pepin stated that the first part let's get the blame game out of the way. She stated that we had a joint commission meeting and there was a lot of yelling and screaming. She stated that Dr. Brown was asked who was to blame and she answered that she was because she was the Superintendent and she was to blame and she wasn't even here. She stated that gave me a lot of respect for her. She stated that the true people to blame is this board, we are at the top and we are responsible not Dr. Brown and not any employees. She stated that we did not do enough due diligence and didn't ask enough questions and we trusted the people speaking to us. She stated that nobody did this deliberately and she finds it intolerable to listen to people who we elected saying I want a head. You can have my head; I did not ask the questions. She stated that she would like the head hunting to stop and see the school come together to get out of this instead of finding someone to crucify. Hanlon stated that he had asked some questions and he wants to thank everyone for getting the information to me. He stated that some things that stood out to me that we could do better in order to try to account for where we are. He stated that the first thing is building aid and we need to acknowledge that is trackable and paying off bonds is something that we should be able to account for. He stated that on cat aid, he had asked for a list of our heavy hitters, as those are the ones that we get the most amount of money for and have the highest dollar amounts. He stated that the state pays out on a formula basis and they pay per service. He stated that the kids who have the most services get the most money back. He stated that the two biggest things is student one has aged out and we should be able to calculate for that and it was a \$300,000 revenue loss. He stated that the second one is student number 5 that we knew was not in a placement for the first six months of the year and by not having that expense we also lose that in revenue, which was about \$127,000. He stated that between the \$300,000 and the \$127,000 that is a total of \$427,000 in revenue loss so if we change the way we are doing things we can mitigate the risk going forward. He stated that it is our duty to the public to know what happened. He stated that it was not something deliberate, it was an accident, three accidents that made the difference between having a discomfort to a situation where we are. He stated that Dr. Brown is working on a process so we have better accountability on what is going on. Dr. Brown stated that since she is a relative newcomer to Somersworth, I believe that I can offer several objective recommendations that will improve communication between the administration and the board and keep the board informed in a timely fashion of budget development.
 1. **Board Involvement and oversight of the process:** The board has a sub-committee titled "Budget and Revenue". I strongly recommend that this committee meet monthly to review where the budget stands and have a standing agenda item an accounting of any anticipated changes to revenues that

have been budgeted, what is anticipated, and if there is expected a positive or negative difference.

- 2. Review and use of building aid control card:** I recommend that the district use the building aid control card from the NH department of education. The fiscal year projections go through 2029-2030 and provide the district with a revised payment schedule for building aid for Idlehurst elementary school. The building aid control card specified what payment number (by year), the bond on the land, bond first payment, bond second payment, premium on land, premium on bond, earnings on the bond, funding in excess of eligible costs, eligible scheduled payments, actual payments, any corrections and a revised payment schedule. For example, going forward in 2018-2019 the district is scheduled to receive \$654,048, in 2019-2020 \$551,593, 2020-2021 \$530,263 and so forth through 2029-2030. This very helpful document will provide detailed information for budgeting purposes.
- 3. Revised process for calculation of catastrophic aid now retitled special education aid:** I recommend that instead of using the five-year look back of what the district historically received for catastrophic aid, the district instead use a method as described in Title XV, Education, chapter 186-C special education. This reads that the school district shall be liable for three and a half times the estimated state average expenditure per pupil for the school year preceding the year, plus 20 percent of the additional cost, up to ten times the estimated state average expenditure per pupil for the school year of distribution. She stated that it won't be as exact as building aid because kids move in and out. She stated that she asked Pam who moved in and out after the budget was passed and there was \$76,000 between April and June so that would go back to number one, you need to know that.
- 4. Medicaid:** This is perhaps the most difficult revenue to predict. I recommend that in November (2017) Multi State Billing the firm that we contract with concerning Medicaid speak to the budget and revenue committee to explain how Medicaid calculations are made, ensuring that the district is indeed submitting reimbursements for all expenditures for which it is entitled.
- 5. Identify Actual Costs and Budget Accordingly:** There are a number of accounts that were under budgeted during the development of the 2017-2018 operating budget and among them the 2017-2018 special education budget by \$250,000. There were others, I believe that it would be helpful here to examine carefully what has been spent historically, look for trends and evaluate what lines were under and conversely if there are others historically over and make appropriate corrections. She stated that she is happy to answer questions. Hiller stated that we are realizing that we didn't have enough information on the budget; we only received just the lines that changed and never got the whole budget. She stated that it is our fault but also the way things had been happening and not being given the proper information. We are all realizing that and asking for more detail. Dr. Brown stated that we are having a budget workshop on the 24th and she is asking administration to come and talk about what is happening in their buildings, special Ed is coming and Andy will talk about facility needs. She stated that it is a good conversation to have and she would encourage the board to bring questions and make sure we have a good robust dialogue about the budget. Bolduc stated that the line items she mentioned that were under budgeted there is probably a good reason, the tax cap keeps the number under where it should be and we really need to do our job. We have dug ourselves in a really big hole. He stated that the report that they were given on adequacy the first estimate as given on 11/15/16 while we were doing our budget and that is the number that shows up on the revenue page and then we get a revised figure on 10/1/17 that is this month. We have already done our budget and approved by the council. He stated that the tax cap is pinching us and he doesn't know how to fix that. He stated that how can the state come down at a later date and say we are giving you less money after we passed the budget; he is upset when he sees that. Austin stated that adequacy is driven by population and ADM in the district. He stated that the number we used in the budget process is different than the number we reported on October 1st as the student population changes and that is what accounts for the change in aid. If we have fewer students now

we can't assume that the adequacy aid stays the same. Bolduc stated that when we get an estimate it should be what we go by, they should have a look back period if they tell you a certain amount and you make a budget. Hanlon stated Pam am I correct that we don't get these numbers in October we get them in August. MacDonald stated yes. Austin stated that Ken asked about adequacy and that is October 1st. He stated that he is trying to get away from the state did this to us, adequacy aid is based solely on population today, so we need to make sure that is clear. Rivers stated that he pulled out backup material and in February 2007, we had 1781 kids and in January of 2015, we had 1781 kids, which is exactly the same. He stated that we were fairly stable for a long time. Hiller stated that the November number we get is based on the students we have in November. D'Agostino stated that it is estimated based on two prior year actual and what it was at the end of June and that is what they base the estimate on in November. She stated that when they send the revised numbers a year later it is based on actuals for October 1st and adjust it based on enrollment. Hiller stated that if we have declining membership this can happen every time. D'Agostino stated that what can also happen is we have an increase in ADM and a decrease in SPED and the two balance each other out. She stated that this year the estimate is higher than what was revised in all categories. Hiller stated how can we keep this from happening when the numbers are a year apart. Austin stated that is the importance of the budget and finance committee meeting on a regular basis. Joanne Pepin stated that the state changed its percentage from 75.22% to the current percentage of 69.3525% and asked when they let us know before we do the budget. D'Agostino stated that last year at this time, it was at 69% and in December of last year, they revised it to 72%. They are constantly looking at actual expenses submitted and they make adjustments accordingly. We were fortunate last year to get more. Austin stated that if we are learning anything the budget should be fluid. Dr. Brown made recommendations on how the board behaves with budget management that we can all take to hear and adhere to in the future. Hiller stated that we have a committee but she doesn't know who is on it. Austin stated Ken and me. Dr. Brown stated that on October 13 she met with administrators to develop a plan to close the gap between revenues and expenditures. I shared with them my three primary goals. 1. Protect students, 2. Minimize the extent possible staff impact, and 3. Maintain the positive relationship between the city council and school board. She stated that the administrators had a robust discussion concerning what lines in the operating budget may be reduced. The group reached consensus with the following recommendations:

1. Expend from the Education of Persons with Disabilities (non capital reserve); \$100,000
 2. Capture savings from personnel lines from staff turnover and not filling para positions: \$184,000
 3. Increase revenue from preschool: \$17,000
 4. Change the practice concerning payment for long-term substitutes: instead of compensating substitutes who worked more than twenty consecutive days at a payment representing their step and track placement, cap substitute payments at BS step 1. \$50,000
 5. Individual building accounts: \$50,000
- Total: \$401,000

She stated that still leaves a difference of \$236,060. She stated that additional possibilities that were considered was to ask everyone from the superintendent all the way down for one furlough day in the amount of \$105,000. Ask the SAU board to release \$105,250 from the fund balance. Joanne Pepin stated that on number two does that mean that you did not give contracts to some paras. Dr. Brown stated that we have fewer by 8 paras. She stated that we did not have a good accounting of paras and where they were assigned so I froze hiring para positions and identified vacancies and redeployed individuals as opposed to hiring. Joanne Pepin stated that nobody was let go. Dr. Brown stated no by statute we have to nonrenew by June 1st. Hanlon stated that the top half looks great but when we get down to the additional possibilities this is a top up problem and I will not support having the hard working underpaid staff taking a penny out of them personally. He stated that he will not support

that. Rivers stated that listening to the council they are not all on the same page on what the SAU is and what it does. He stated that the RSA gives the definition of an SAU. He stated that the 9 of us serve on the SAU board it is not called the school board because we are not sitting on it in that capacity. He stated that the Rollinsford people are in the same situation. He stated that when we meet as an SAU board it is not an extension of the Somersworth board. He stated that when you look at the definition it says the SAU shall be a corporation and we are legally organized. He stated that if we want to take money from the fund balance we would have to do that in coordination with Rollinsford. He stated that if someone is under the impression that Somersworth can take that out it may not be true. He stated that the function is not the same that we as Somersworth School board has. Dr. Brown stated that she spoke with Gordon Graham from Soule Leslie Kidder and he explained that you can ask the SAU board to release surplus funds not an appropriation. She stated that you can ask to use the surplus funds but if you do that, it needs to go to both communities. She stated that the SAU board could be called together and the question posed to them. Hiller asked if number one was the money that was asked for the first week of school. Dr. Brown stated that yes it is the money in the special education fund. She stated that at that time we had \$250,000 deficit on that. We need to tap that as a resource. Hiller stated that it wasn't an emergency the first week now it is an emergency and it is going to go to special education students so I am okay with it now. Bolduc stated that the SAU is not an extension of Somersworth and Dr. Brown explained that it has to be disbursed equitably. He stated that the \$100,000 he is not sure if we should use that or not. He stated that we are still within the budget and if things change during the year or we have savings in one area, those numbers would change. He stated that he is leaning toward not using it at this time. Austin stated that we can't afford to wait on that money. The budget would be in a deficit, that is the low hanging fruit, and we need to go get it. Hiller stated that she would like a clarification on number two from personnel that isn't getting rid of anyone. Dr. Brown stated that we didn't lay anyone off we moved people around to cover the vacancies. She stated that we can't lay off anyone at this point. She stated that this was due to judicious hiring over the summer. She stated that the practice was if you knew someone was retiring, you would plug a figure in and with some exchange of staff, and we had some savings there. She stated that the administration worked really hard to cover building to building and they need to be applauded for that and that is why we have savings in number two. Joanne Pepin asked if the furlough day was everyone. Dr. Brown stated everyone from me right on down through. Joanne Pepin stated that she would be against that. She stated that Somersworth has a small tax base and large turnover and we can't afford to give people what they deserve. She stated that we are lucky to have people working her because they love their jobs not because they are getting a fair wage. She stated that this is cutting a day from them. Austin stated that the challenge is if you disagree with the items on the list, you need to find something to replace it with. He stated that the challenge is to take something to council to close this gap and not rely on someone else to do it for us. He stated that he hopes to work with city council to establish the opportunity jointly to contribute to that if we find things we can offer it is incumbent upon us to do that. He stated that none of this is fair and nobody did it to us, nobody intentionally sabotaged the budget, it is here and we have to deal with it. He stated that we need to make some difficult decisions and everyone in the community has to contribute in one way or another. Hanlon stated that he wants to look for other options for the furlough day. He stated that he would like to ask the SAU staff to come up with more options. He stated that it is hard for us to come up with more options when we were only given seven to choose from and we have already pleaded ignorance to everything else. Austin stated that we don't have the luxury of time; the tax rate needs to be established so we don't have much time to figure this out. He stated that when we leave the joint meeting we have to have a solution so that the tax rate can be established. We have to do something. He asked if there were any other discussions put on the table and discarded. Dr. Brown stated that the administration

had an exhaustive dialogue on where to cut. We talked about facilities, staffing and services. She stated that 80% of the budget pertains to people. She stated that the statute for nonrenewal has passed so it is not possible at this point. She stated that from the beginning, this budget was bare bones to get to where you are and there is not any fluff in this. She stated that to take another \$236,000 would be very difficult. She stated that we have turned it inside out but if directed we will look again. Rivers asked if they have gone through each building looking for savings. Dr. Brown stated yes that is where we came up with the \$50,000 and some lines have been brought back to zero. She stated that the problem is a lot of purchases have already been made. Austin stated that one option is that none of the buildings can be used on weekends for the rest of the year. Joanne Pepin stated that due to the urgency because of taxes she would be willing to make a motion to accept items 1-5 to present to city council meeting on Thursday and tell them we will try to get the \$105,000 from the SAU and explain to them why we don't feel why the \$105,000 should come off the backs of our employees who are already overworked and underpaid. She stated that she thinks that if we present that in an honest non-confrontational way we might be able to get council to help us come up with the additional. Hanlon stated that he agrees with Joanne. He was at the council meeting and they didn't say cut every single penny, I didn't hear that. He stated that there was a lot of anger on understanding how we go where we are and making us responsible for as much as humanly possible, listen to us, and come up with anything that we can. A motion made by Hanlon seconded by Joanne Pepin to move forward items 1-5 in the memo dated October 17th to the joint meeting with city council. Hiller stated that she just got the memo tonight so she really wishes she got it ahead of time. She stated that we are asked to make a snap decision but with that being said items 1-5 all seem reasonable to me because we have to do it. She stated that we knew we were starting the budget short. She stated that she read the article and people were mad on the fund balance, is that the SAU fund balance they were talking about. Austin stated yes. Brennan asked how many people number four would affect. Dr. Brown stated that she doesn't know the answer to that. Brennan stated that you are capping them at \$50,000. Dr. Brown stated that we are not capping people, it is hard to predict because we may not know in advance that someone is going to be out long term. She stated that it is a change in practice. Bolduc stated that he will go along with the motion even though he has doubts. He asked if everyone was on board with the furlough days. Dr. Brown stated that each union would have to agree to that and she doesn't believe that they would do that. Hanlon stated that the furlough was not part of the motion. Yoder asked what the individual building accounts would affect. Dr. Brown stated that the building administrators are going through their accounts such as print media and software that they might be able to go without. She stated that she likes to give them the latitude to make those decisions rather than a freeze. Hiller stated that it is hard for them to cut things because they are already cut to bare bones so she is not sure they can come up with the \$50,000. Austin stated that we heard the superintendent say they already had the discussion with the administrators and they feel they can adhere to that so we need to leave it to them to make sure it happens. VOTE: Upon roll call vote, the motion passed, unanimously. A motion made by Hanlon seconded by Hiller to propose to the SAU board to release the surplus of the fund balance. Austin stated that he would clarify the motion that you are asking the SAU board to consider that. Hanlon stated correct. Bolduc stated that the SAU board is made up of Somersworth and Rollinsford. Somersworth has 9 members and Rollinsford has 5 so you might have to take some heat. VOTE: Upon roll, call vote the motion passed 8-1 with Bolduc Opposed. Marty Pepin stated that this is a great effort on the board and he appreciates the effort and the information from the Superintendent and it will be looked at in a positive way. He stated this is a shock for all of us and it is a good attempt at bringing it down. He stated that he thinks that some will work with this but he can't speak for the council but we are in this together and he hopes that we can work together to get us out of it. Hanlon stated that the SAU fund is a shot in the dark; he made the motion because it was asked of us

and he felt obligated to have that discussion. He stated that he would like to see us come back and have things that we could possibly cut and things to be discussed so we can say to council that this is what we came up with. He stated that he doesn't want to approve any further cuts at this time. Hiller stated that she doesn't want to make any more cuts either but if we end up having to do a furlough day she would like to say she would cut her stipend for a month so we are all paying out. Joanne Pepin stated that she personally doesn't see how we can do that because the unions have contracts and it would be a waste of taxpayer money to pay for litigation. She stated that she is dead set against a furlough day. Hanlon stated that it is a lovely idea not to take your stipend and if it were up to me, he would try to redirect that money back to the district. He stated that is a discussion we need to have it is a great idea. Hiller stated that I am not going to ask someone to give up a day without giving mine up. Austin thanked everyone for coming together and thank you to the superintendent for gathering information and coming up with recommendations. He stated that he hopes that our relationship with council doesn't get destroyed here; we have worked too hard to building the relationship with council to have this issue divide us. He stated that he hopes to continue to discuss this amicably and continue to work together as a community. He stated that once this issue is done there are plenty of others to deal with and we have a model that works for us and is unique for cities in the state of new Hampshire. He stated that he doesn't want this issue to be the reason we don't have it because it works here. He stated that we will get through this and it will be difficult but we will be a stronger community as a result of it and we will have better processes as a board.

6. **ADJOURNMENT:** A motion made by Bolduc seconded by Brennan to adjourn. VOTE: motion passed, unanimously. The meeting adjourned at 8:26pm.

Katie Krauss
Board Secretary

Pending Board Approval