

SAU 56 School Board

Board Meeting

November 1st 2017

Mary Lister Place

6:30 pm

1. **CALL TO ORDER - ROLL CALL - PLEDGE OF ALLEGIANCE:** Hanlon called the meeting to order at 6:30pm upon call of the roll the following members were present: Austin, Bolduc, Rivers, Yoder, Pepin, Cavanaugh, Nelson, Kunz, Hanlon, Anderson, Smith, Leach and Hiller. Absent: Brennan
2. **CONSENT CALENDAR**
 - 2.2 **Removal of items from the consent calendar:** None
 - 2.2 **Approval of consent calendar:** A motion made by Austin seconded by Yoder to accept the consent calendar as presented. VOTE: motion passed, unanimously.
 - October 2nd 2017- SAU 56 Board Meeting Minutes
 - September 18th 2017- SAU 56 Board Meeting Minutes
 - 2.3 **Non-Public Personnel Issue:** A motion made by Austin seconded by Hiller to exit into nonpublic session in accordance with chapter 91-A: 3, II (b) Personnel. VOTE: Upon roll call vote, the motion passed unanimously. A motion made by Hiller seconded by Yoder to accept with regret the retirement of Marie D'Agostino. VOTE: motion passed, Hiller Opposed. A motion made by Joanne Pepin seconded by Austin to accept the recommendation of Dr. Brown to nominate Katie Krauss as Interim Business Administrator. VOTE: motion passed, unanimously.
3. **General Correspondence**
4. **BUSINESS AND FINANCIAL**
 - 4.1 **Budget:** Dr. Brown stated that included in your packet is a memo regarding the release of funds from the SAU fund balance. She stated that she spoke to Gordon Graham and there is no requirement to maintain a certain balance or maintain a minimum balance in the fund. She stated that with a majority vote the funds can be released to its member districts. She stated that she listed in the memo things that the fund balance has been used for in the past such as unanticipated personnel expenses or software. She stated that the balance is still unaudited as the audit was just completed last week and the balance currently is \$280,000 and of that \$100,000 is committed to the 17/18 budget so that leaves a balance of \$180,000. She stated that based on the approved severance package you approved tonight that brings the balance down to \$140,000. She stated that currently the assessment is \$892,379 for Somersworth and \$167,424 for Rollinsford. If you were to choose to release funds, Gordon Graham recommended that it be done using the apportionment currently used to determine each district's assessment. For example if you chose to take all of it, \$117,880 would go to Somersworth and \$22,120 would go to Rollinsford. If you used half, \$59,000 would go to Somersworth and \$11,000 would go to Rollinsford. Nelson stated that when she looked at the letter from Dr. Brown it was using the current percentage for Rollinsford of 15.8%. She stated that she did a five-year look back and it comes to 16% and she feels that it is fairer to do that so if we decide to do it Rollinsford would like it to be split 84% for Somersworth and 16% for Rollinsford. Bolduc stated that he is not in favor of taking any money out, as the fund is not that big at this time. He stated that we are down to \$140,000, that is not an excessive amount, and if something should happen and were in a pickle, we will be looking for cuts again. He stated that he won't vote for the removal of any funds from the fund balance. He stated that next year we will take care of it by using it to reduce the budget. He stated that if we reduce it any further it would be fool hearty because we don't know what is coming up. He stated that from his point of view, Somersworth still has work to do and it is not a crisis. He stated that a letter that Somersworth has says that the DOE can make changes up until March or April of next year so we are not done with the DOE and he is not ready to jump off the cliff. He stated that we have made cuts to take most of this and council is listening to us and will help us out. Austin stated that for the benefit of the Rollinsford folks, Somersworth has been dealing with significant budget issues due to revenue projections coming in lower from when we submitted the budget in March by \$637,000. He stated that we have been asked for ways to close the gap and Joanne and I are part of the joint commission that have worked on a number of scenarios in order to work together to come to a resolution. He stated that it came to light that the SAU has a fund balance that we have been holding for a number of years in the event of unanticipated expenses. He stated that at one time it was very small

and then we did an analysis of what the liability would be if all the tenured staff left and we determined that it was inadequate so we tried to build it up. He stated that then we had a lot of money in there so we made adjustments each year to return money back to the communities as a reduced assessment. He stated that the council asked us to see if the SAU board was in agreement to assist Somersworth in helping to close the budget gap by releasing some of the fund balance that would help both communities but particularly help Somersworth in closing the gap. He stated that he disagrees with Ken in that it is a crisis due to the timing. He stated that Somersworth has to submit to the state a report to set the tax rate in order to get the tax bills out and if the revenue and expenses don't match, the tax rate goes up. He stated that they would like this board to consider the release of a significant portion of the fund balance to assist Somersworth at this time knowing that historically it increases at the end of the year due to unanticipated revenues or expenses not spent so it is not unreasonable to think that we won't put some back in at the end of the year. Smith asked how it gets replenished. Austin stated that it increases in two ways, if we don't spend as much as we budgeted or we collect additional revenue usually from our indirect cost for our grants. He stated that if we are conservative in estimating our revenue the difference goes back into the fund balance. Smith asked if it is reasonable to assume that it will increase. Austin stated that there is no guarantee but due to the history over the years, it would be reasonable to assume that. Hanlon stated that he has concerns about this and doesn't want to drain it completely. Leach asked if they have done another assessment of the liability for this coming year. Austin stated not that he knows of. He stated that they came to the decision that the fund balance should be 10-15% of our budget so the \$140,000 is in that range so it is not like we are outside of what we expect it to be. Joanne Pepin stated that she has been on the board for eight years and when she came on she was shocked to see the balance and that is when as a group we decided it was too much so the last few years we have used some to bring the tax rates down. She stated that she agrees with Matt, she doesn't want to drain it. She stated that when she was notified of the shortfall she said she wanted to make sure the kids still have a good education so I said let's take a big hunk of the fund balance but we can't. She stated that we are down to \$140,000 but what happens if you have one more tenured person leave. I don't think we should deplete it but she would strongly consider 50% and that would bring it down to \$70,000. She stated that she has no problem with the 84-16 split. Hanlon stated that if we are going to make a motion we should have a conversation on Judy's suggestion. Hiller asked how much we would have to take to have Somersworth net \$100,000. Dr. Brown stated 90-95% of it. Kunz asked what happened and what the reason for the shortfall is. Dr. Brown stated that at the end of September, we received from the state our actual catastrophic aid, adequacy aid, and building aid and when we looked at it, we were down about \$423,000. We are also projecting that our Medicaid reimbursement will come in lower than we anticipated and all of that adds up to the \$637,000. Nelson stated that the request isn't coming from the Somersworth board it is coming from the council asking the Somersworth board to request it. Austin stated that the request started with the council recommending it, it went to the joint commission, and we all agreed to come to this board for direction. Nelson stated that the SAU is an independent group, all of us are members, and we have to decide what happens in it. She stated that it is not like the town fund balance where they have to jump through hoops, which is not the case for the SAU fund balance, this group makes that decision. Dr. Brown stated that she would like to get Judy an opinion on the five-year average because each year a formula is used to create each district's assessment so she would like legal to say it is ok. Nelson stated that the money that is in here is for each of those years that is the only reason she suggested it. Joanne Pepin stated that we have a very strong bond with our council and they want to keep it that way. She stated that the joint commission are all equals; it is not led by the city council. She stated that we discuss everything to make our city better and keep the kids educated and our taxpayers at a reasonable rate. She stated that we work as a team and the city and the school work as equals. Hanlon stated that this is the Somersworth budget, it is on us, it is ours and we own it. He stated that we have to find a way to fix it. Whether or not the council or anyone is involved this is one of the ways that we had to look at, everything was on the table for us. Austin stated that he doesn't make this recommendation lightly and it is not something that they anticipated that they would have to do. He stated that they are asking Rollinsford to commit to helping Somersworth out and we don't take it lightly and it is an important decision and it shows good faith that we can work together. Anderson stated that although she feels that

the fund balance is where we want it, she would be willing to release a portion of the fund balance. Kunz stated that let's say the fund balance is released, you are still how short and you are in a city with a tax cap so to come in under the cap is very important. What happens with the rest, that is a lot of expenses. He stated that sometimes you have to raise taxes. He stated that you had the discussion of keeping education moving along so how do you come up with that extra money. Austin stated that the superintendent and the admin team came up with \$300,000 in cuts that we approved at our last meeting and we also had additional revenue that we hadn't accounted for \$121,000. He stated that we still need to find over \$200,000 more and this is one way to get part of that but we have a lot of work to do and we need to find the rest of it. Hiller stated that we have been cutting our budgets and contractually things still go up. We thought that this year may be the year we could add something and then this happened and we don't have a lot we can cut. Leach asked what Rollinsford does with the money that we get. Dr. Brown stated that it would decrease your assessment by whatever the number is that you could transfer into another line. She stated that she would caution that where it is a one-time thing not to add people but you could add it to any other line. Leach stated that she would support 50%. Nelson stated that she would to. We understand budget crisis as we have had to cut our one school to the bone, they would like to help out where we can, and she would support 50%. Kunz asked what the percentage is that they are requesting. Austin stated that the number on the table is for Somersworth to end up with \$59,000 or more if it is reasonable but at least \$59,000. A motion made by Kunz seconded by Austin to release 75% of the fund balance. Leach stated that would bring it down to \$35,000 in the fund balance. Austin asked Marie what she thinks the chance of adding to that at the end of the year. D'Agostino stated that she is not sure where we stand with indirect costs so she wouldn't count on the revenue. She stated that based on my leaving other people will need to come in and help with the SAU office, which is not budgeted. She stated that the SAU budget is very small compared to the district budgets. Dr. Brown stated that she would be cautious of money being returned, as it is not a big budget to begin with. Joanne Pepin stated that 75% scares me and she is afraid that we would put ourselves in a bad position. She stated that we need to be a little more reasonable, she would do 50%. Nelson stated that she would agree, I feel that 50% is reasonable and it leaves a bit of a cushion. Kunz asked them to clarify what 50% would be. Austin stated Somersworth would get \$59,000 and Rollinsford would get \$11,000. Kunz asked if we have run into situations where we would run through that kind of money during the remainder of the school year. Hanlon stated that we have only drawn down when we used it for the budget. Kunz stated that he is trying to help you guys out so if this helps that is why he suggested 75% but if it is too high we can modify it. He stated that the expense number you have remaining seems insurmountable so if this helps to take more out you can put more toward this. Smith stated that he agrees with that, we have a huge fire to put out. He would suggest taking 75% so we can try to extinguish this fire as best we can. Nelson asked what would happen if the SAU went over budget, do the towns have to dip in. Dr. Brown stated that if the SAU needed to raise funds they would have to have a meeting and pass an appropriation in each of the districts. Leach stated that maybe we should talk about what we are comfortable with leaving in the fund. \$35,000 seems low but she is fine with leaving \$50,000 in there. Hiller asked who is left to leave at the SAU, most people have not been there for ten years so the chances of needing the whole amount is slim so \$35,000 might be ok. Dr. Brown stated that you are having a budget meeting on the 13th and you have been using the fund balance to mitigate the amount for each district and that would be compromised and will not be here for the 18/19 budget. Bolduc stated that if we over expend funds what would Somersworth do. Dr. Brown stated that you wouldn't have a choice you would have an apportion according to the formula. Bolduc stated where would we get that money. Dr. Brown stated that is too much of a hypothetical for me to answer. That is the process if the SAU needed money and it would be up to the boards how to raise the money. Kunz asked if both districts are required to take out funds. Dr. Brown stated that the attorney recommended that if you take out funds for one you would do for both. Rivers stated that SAU's were set up for the purposes of efficiency and better ways to do business. He stated that this is not something that we would do helter skelter but situations arise. Austin stated that by doing this we do lose our ability to offset the assessment because we won't have the money to do that. He stated that Somersworth already has concerns with the 18/19 budget because we have reduced our base by a large number but we have to take this one problem at a time. Kunz stated that the fund balance

is meant for emergencies and this is one and what the money should be used for. He stated that if we had to replace the roof we wouldn't even be thinking about it. He stated that we have never had this conversation before but this is extenuating circumstances so he would still suggest the 75%. Austin stated that he would like to move the question. A motion made by Kunz seconded by Austin to release \$105,000 of the fund balance to be split accordingly based on the designated percentages. VOTE: upon roll call vote, the motion passed 10 (Austin, Smith, Yoder, Hanlon, Anderson, Hiller, Rivers, Cavanaugh, and Kunz-3 (Bolduc, Leach and Nelson). Austin thanked everyone we all appreciate it so much. Nelson asked if this money would be pulled immediately. Dr. Brown stated that the assessment will be reduced for the next three quarters. She stated that she needs to get the opinion on the five-year look back. A motion made by Nelson seconded by Joanne Pepin to ask Dr. Brown to get legal opinion on the five year look back period for the Rollinsford rate to go from the current rate of 15.8% to 16%. VOTE: motion passed, unanimously.

5. Employees

6. Old Business

6.1 Superintendent Search Process: Hanlon stated that we have several qualified candidates and have set up a few interviews within the next few weeks. He stated that we are moving forward with the current timeline. Austin stated that the timeline is on schedule and we do have qualified candidates. Rivers asked how many superintendent vacancies there are right now. Austin stated a fair number.

7. New Business: Nelson stated that she is learning a lot about the relationship among ourselves, the two board and the SAU board and she is wondering if they should consider at the next meeting if it is time to have SAU policies. She stated that Somersworth and Rollinsford have district policies but the SAU doesn't. She stated that going through the Superintendent search we could look at policies related to that our things we have in our own policies in our districts. She stated that we can look at SAU policies or even if we can have policies. Hanlon stated that we can have a discussion on what is available for policies and find out what they can and can't dictate. Dr. Brown stated that she will add it to her list to talk to the attorney about. Austin stated that he will get an opinion from the school boards association as well.

8. FUTURE MEETING DATES/SUGGESTED AGENDA ITEMS:

- **November 13 2017- SAU 56 Board Budget Workshop**
- **December 4 2017- Public Hearing and Board Meeting immediately following**
- **December 11 2017- Snow Date for public hearing**

Austin stated that he would like to have a discussion on if Mulligan's grill is an appropriate place to have a meeting. He stated that it echoes in non-public session and people can hear what is being said. Kunz stated that this is a good set up here. Hiller stated that we have also used the engineering room and we could hear better. Hanlon stated that we can try the engineering room.

9. CLOSING COMMENTS

9.1 Visitors: Dave Witham stated that he is a dad of a 12th grader so thank you for all you do. He stated that he is also a city councilor and the chair of the finance committee so he has been deeply invested in this issue. He stated that he expressed his thanks to the SAU board in particular Rollinsford folks for your understanding of this issue and it goes a long way to helping the city mitigate this issue. He stated that where we have to make a decision because the DRA is waiting for our numbers so there lies the urgency. He stated that the city finance committee is meeting on Friday to make a recommendation to council and this discussion tonight will feed into that to provide direction to the Somersworth board. He stated that there are discussion at the city level of using the city fund balance and talking with the city manager on budget freezes on the city departments so we can help to curb the impact. He stated that there are a lot of moving parts so thank you all for your support. Marie D'Agostino stated that this is going to be very difficult for me because she means it sincerely. She stated that her ten years working at SAU 56 has been a wonderful experience and I will cherish the memories forever. She stated that she has crossed paths with many incredible board members. She stated that he would like to thank her incredible staff and she will miss these individuals. Andy Lucier has worked most of his life serving his community as a police officer, fire chief, first responder and would do almost anything for anyone in the district. Gwen Klevitch is patient, crafty, volunteers in the

community, worked with the PTA this fall and scheduled to fingerprint anyone who was interested to volunteer for the school districts during one of the evening PTA meetings. Over the past three years, Gwen has processed an average of 500 free and reduced student applications. Melinda Sullivan is a caring and giving individual. She has organized annual flu shot clinics, open enrollment and promotes wellness incentives. Katie Krauss loves and adores the community she grew up in, attends many co-curricular and athletic activities, organized several district fundraisers, is a problem solver and has been my right hand person. I believe she will be successful in her new career endeavor. She stated that some of the SAU accomplishments since I have been here are a financial software conversion, clean audit outcomes where my team strives to get perfection, the auditors strive to find things wrong, and we celebrate that accomplishment. In my tenure Idlehurst was built, the career and technical center renovation, and the Rollinsford transition. She stated that in closing she can assure the board that she never jeopardized the integrity of any of the districts. She stated that she is ready to embark on a new journey to spend time with my husband Andrew and with my six grandchildren ages 14-newborn. Those of you who know me, know that I am a workaholic so I intend to seek employment on a part time basis. I have enjoyed every minute of my time here.

9.2 Board Members: nelson stated that Marie has provided support and guidance to Rollinsford and we have shared 5 budget seasons and you will definitely be missed. I welcome Katie into her new role. Austin thanked everyone for the conversation tonight especially Rollinsford. Thank you for understanding our issues, it was difficult to come make this pitch and we have had our difficulties in the past but we have shown that we can work as a team. Hiller stated that she would like to thank them as well we are in a hard position and she appreciates everything they said. Hanlon thanked Marie for her years of service and all her long hours working, it is not easy for anyone in the SAU. He wished Katie good luck moving forward and we are lucky to have you. Thank you to the Rollinsford board members. He stated that when the motion passed in Somersworth he was worried about the appropriateness of it. He stated that we have had a fragile relationship and he was worried about what this conversation would do. Thank you all for what you did here tonight.

10. Non-Public Session: None

11. ADJOURNMENT: A motion made by Austin seconded by Leach to adjourn. Meeting adjourned at 7:56pm.