

Newfound Area School District – First Deliberative Session

**Newfound Regional High School Auditorium
February 2, 2013
MINUTES**

SCHOOL BOARD PRESENT: Vincent Paul Migliore, Chair (Bridgewater); Ruby Hill, Vice Chair (Danbury); Suzanne Cheney (Alexandria); Lloyd Belbin (Bristol); Don Franklin (Hebron); Paul Rheinhardt (New Hampton)

SCHOOL BOARD EXCUSED: Jiri Hajek (Groton)

BUDGET COMMITTEE PRESENT: Fran Wendelboe, Chair (New Hampton); Harold (Skip) Reilly (Alexandria); John Voebel, Vice Chair (Bridgewater); William R. Joseph (Bristol); Simon Barnett (Danbury); Sharon Nelson (Groton); Stan Newton (Hebron)

STAFF PRESENT: Dr. Philip McCormack, Interim Superintendent; Daniel Rossner, Business Administrator; Sue Cross, Administrative Assistant; Leah McDevitt, Clerk

MODERATOR: Edward (Ned) Gordon

ATTORNEY: Peter Bronstein

Call to Order and Introductions:

The Moderator, District Moderator, called the meeting to order at 10:00 am. Barbara Greenwood led the Pledge of Allegiance. Introductions of the School Board Members were made by Vincent Paul Migliore. Introductions of the School Budget Committee Members were made by Fran Wendelboe. The Moderator acknowledged the presence of two State representatives Susan Smith and Harold “Skip” Reilly in the audience. The Moderator noted this as his 20th year presiding over the Deliberative Sessions. He stated, in lieu of an invocation he read the following opening statement.

**Remarks in Memory of Superintendent Marie Ross
by Moderator Ned Gordon**

This is the time when we ordinarily have an invocation. But today, I would ask you to indulge me for a minute.

This the 20th consecutive year that I have presided over the annual meeting of the Newfound Area School District. During that time, there have been changes in places where we meet, changes in the way we vote, various controversies, and a constant debate over what we should provide for education and how much we can afford.

School Board members have changed, Budget Committee members have changed, and over the last 20 years there have been several changes in administration. I’ve had the pleasure of working with several Superintendents. Each brought to the job their own priorities, their own talents and their own personality.

None, in my opinion, served with such grace as Marie Ross. She had a disarming smile. And while she was strong in her convictions, she recognized that she served the people.

When she spoke here at our meetings, Marie was never demeaning of others, she wasn’t pejorative, she was always thoughtful and respectful of the points of view of others. In my view, she was driven by her service, not by her ego.

Last year, we saw substantial change in our district due to our collective decision to cut the budget. While she may not have agreed with that decision, instead of being defiant, belligerent or bellicose, she made difficult choices, she carried out that decision thoughtfully and professionally.

Marie’s unexpected disability and death gives us all reason to think about our own short lifetimes. May we attempt to be as thoughtful and caring as she was. May we be as kind as she was.

Please join me in a moment of silence in memory of Marie Ross.

The Moderator explained the process in which the meeting would be conducted and the purpose of the Deliberative Session is to discuss and/or amend the warrant articles to be put before the voters on March 12, 2013.

ARTICLE 1: To choose all necessary School District Officials for the year ensuing.
(Second Session, March 12, 2013 - Election Day)

Article 1 will appear on the ballot as written.

ARTICLE 2: TEACHER CONTRACT AGREEMENT: To see if the Newfound Area School District will vote to approve the cost items included in a one-year collective bargaining agreement reached between the School Board and the Newfound Area Teachers Association, which calls for the following increase in salaries and benefits:

<u>Year</u>	<u>Estimated Cost</u>
2013-2014	\$56,793.00

And further to raise and appropriate the sum of \$56,793 for the 2014 fiscal year, such sum representing the additional costs attributable to the increase in salaries and benefits required by the new agreement over those that would be paid at current staffing levels. *(This article is not included in Article 7 – Operating Budget.)*
(The School Board recommends this article by a vote of 7 to 0. The Budget Committee recommends this article.)

The Moderator explained he is not asking for a vote at this point. He invited the School Board to speak to this article. Chair, Vincent Paul Migliore explained that this is a long term cost avoidance opportunity to the members of the Newfound Area School District.

Wayne Anderson (Bristol) questioned if this article would lock in a four year term for health care benefit that the community would fund at 87% and teachers would fund at 13%. Dan Rossner explained voting on a one year contract with the health care provisions associated with this contract would be permanent until another change was negotiated.

Miles Sinclair (Groton) thanked the teachers for honoring their agreement from last year with a zero increase. He said the article appears to be a reasonable agreement which he approves and supports the proposed contract. The bottom line appears the only issues are salaries and health care. He questioned if there is anything else included? Vincent Paul Migliore replied there are some modest language changes, but the bulk of the changes are what you see before you. Miles Sinclair considered to amend the article to read for all teachers to be moved up on the pay scale or exchange for other concessions in other areas. He requested clarification of the language used in the Warrant Article. He had concern that the article only showed the bottom line with no explanation of changes. Vincent Paul Migliore suggested he have faith in the School Board. He explained that in the past two years a mailing has been distributed to the 7,500 voters explaining each warrant article. At this point he would like to keep it as simple as possible and not see it changed and to send the message to everyone that a ‘yes’ vote would be wise for the projected forecast. It shows a compromise between the School Board and the Teachers’ Union.

Deirdre Conway (Alexandria), president of the Newfound Area Teachers Association, asked if we need legal counsel for clarification on the fact that we vote only on the financial aspect of the contract, not the wording of the article. She summarized that Miles Sinclair (Groton) could get language from the SAU and stated it is nothing that needs to be voted on. Peter Bronstein, legal counsel for the District, agreed.

Bruce Wheeler (Bristol) stated that having heard a preliminary form of the amendment to the Warrant Article, he felt we might be meddling with the original article. He stated the school Board can deny a step raise to a teacher who is not performing satisfactorily. From the sounds of the amendment, if we had a teacher who is not performing, in the process of renewing their contract while on probation, we may not know the far reaching ramifications. He agreed with The Moderator who said it may have some unintended consequences.

Ruby Hill seconded Miles Sinclair’s thoughts and agreed it is a very fair contract. Not only are they paying more, they took a different plan. She said the information you did not get explained was they had lost wages over the last two years; not gross wages, but net because of state mandated increases in their retirement. She has great teachers for her kids and she doesn’t want them leaving and going somewhere else. Miles Sinclair (Groton) said his concern was the language of the term ‘modest raises’, which is a subjective term. Modest to you may not be

modest to someone else. It is an effort to provide specific details to allow the voter to make a more informed decision.

Archie Auger (Bristol) made the motion to close the debate, seconded by Susan Duncan (Bristol). *The article passed on a voice vote.* Article 2 will appear on the ballot as written.

ARTICLE 3: PROVISION FOR SPECIAL MEETING: Shall the District, if Article 2 is defeated, authorize the Newfound Area School District School Board to call one special meeting, at its option, to address Article 2 cost items only?

(The School Board recommends this article by a vote of 6 to 1).

Dr. Philip McCormack explained this article is intended, in the event that the collective bargaining agreement does not pass at the voting session, to provide an opportunity, not a requirement, for the School Board and Teacher Association to agree to a revised collective bargaining agreement and bring it forward for voter action. Whereby having a Special District meeting without exhausting time and cost of trying to get a special district meeting through Superior Court, which may be granted in an emergency situation. No public comments were made.

Susan Duncan (Bristol) made the motion to close the debate seconded by Archie Auger (Bristol). *The article passed on a voice vote.* Article 3 will appear on the ballot as written.

ARTICLE 4: LIMITED FUND BALANCE RETENTION: Shall we adopt the provisions of RSA 198:4-b (II) and authorize, indefinitely until specific rescission, the school District to retain year-end unassigned general funds in an amount not to exceed, in any fiscal year, 2.5 percent of the current year's net assessment pursuant to RSA 198:5, for the purpose of having funds on hand to use as a revenue source for emergency expenditures and over-expenditures under RSA 32:11, or to be used as a revenue source to reduce the tax rate?

(The School Board recommends this article by a vote of 6 to 1. The Budget Committee recommends this article).

Vincent Paul Migliore presented the article. Saying he needed to present this article in the context that you know Article 5 is also here today and will be discussed separately. Article 5 is restricted to Building Trust Maintenance only. This has been a rather tumultuous year for the School Board and the District as a whole. House Bill (HB) 101 was enacted on January 2, 2013. It saved Newfound from having to delete approximately seven to nine hundred thousand dollar surplus from its calculation in funding the budget for next year. The good news is that, on a completely bipartisan effort, when we saw what we recommended the House bottled the recipe up and sent it down to Washington and is underway for a permanent fix as well. The Senate passed on Thursday, SB2, which was also the temporary fix for Newfound. Extended fund balance is new legislation that came about last year. It gives us, as a district, an opportunity to retain fiscal management collectively. Everything your School Board is recommending is in concert with the School Budget Committee. This article is one we ask you to approve which gives us that flexibility. I do hope there will be some thorough discussion to clarify what the flexibility gives us. But it is very restrictive. This does not allow us to take a 2% excess and put it aside every year to accumulate. It limits us annually to 2% of the local taxes raised and if it aggregates beyond that, we have to give it back to the tax payers. So it is essentially a 2% expendable trust fund to be used for emergency expenditures. This would not include Article 5 building maintenance which is exclusively limited, if a roof fell in due to snow or whatever the problem may be. We could use those funds for that purpose another example we could also use it to fund an unexpected Special Education expense. But we have to go through a public hearing, to you the voters. We have to get permission from the Department of Education. It is very restrictive. It is just another good fiscal management tool. That is the reason we are asking your approval collectively for all the other articles that are on the Ballot to pass; the Teacher's Agreement, gives us this tool, to give us the Expendable Trust Fund; Building Maintenance, and without comment on Article 6, Tax Cap Rescission, the Operating Budget, Article 7 as proposed.

The Moderator asked the public for comments or questions. Archie Auger (Bristol) said he has spent some time studying this particular issue and has to take not only the School Board but also the Budget Committee head on. He said he flat out disagrees with what they have to say. The reason he disagrees is because a properly prepared

budget is the best foreseeable estimate of the funds needed to operate the district for the ensuing year. Recognizing the crystal ball these people have to figure out how much money the State, in 1965 passed a contingency fund law that just happens to be what we are speaking about. The new law is in addition to a new law that was written in 1965 on contingencies, Chapter 198.4B. The modification took place in August 2012 and allows cooperative districts to reserve a portion of the unexpended fund balance as a contingency fund. He further explained, go further back in history a bit and look at Newfound. Under the first part of the contingency law established in 1965, we used to have a contingency fund of \$15,000. He explained that having \$15,000 on a \$20,000,000 budget was peanuts, the district dropped that article. Over the fifty years, he believes the District has used the contingency fund twice. Once to repair an artesian well in Danbury and could not recall the second time, but it was some minor issue. He concluded there is no history of using contingency funds. He recalled what used to happen in the budgeting practice was that the administration would submit its budget to the School Board and in that budget would be line items that had additional monies of what was actually required. For example, it used to be the teachers salaries, if you checked the contracts, against the actual amount budgeted, there would be more money requested than what was actually needed to meet the contracts. Well that's a good budgeting practice. It got to the point where that amount of money was significant. A few years ago, when I was sitting on the Budget Committee, we made the change. The Budget Committee makes it very clear. You know how much money you are putting in over the contracted amount. Now, you can look through the budget and you can see contingencies in different areas throughout the budget. If you do a spreadsheet analysis and pull out all the contingency monies, right now, in this year's budget, there is \$258,752 available to the School Board to spend where they choose to spend it with no approval needed. They are requesting next year, in fiscal 2014, \$290,702 a significant 'contingency' fund. It doesn't tie their hands, and they don't have to go to the Department of Education. They simply move it around where they need to. He is not saying that budget was done incorrectly. He's saying it was budgeted wisely because that kind of flexibility in a two million dollar budget is needed. A \$272,000 or so doesn't need to be added, which is what the proposed article would allow the School Board to work with. Putting those two figures together and next year the School Board would have over a half a million dollars of contingency money. He thinks that the money would be better used and better handled in the hands of the local town Selectmen and doesn't see it as the role of the School Board to determine when the tax rate needs to change. He understands the flexibility it gives and there are an argument on both sides of this issue and doesn't think it's a good financial move. It isn't good money management to allow that amount of excess money to be available. He concluded, "I would ask you not to support this article."

Janet Cote (Bristol) asked for clarification. The article said 2.5%, Vincent Paul Migliore had said it was 2%. Vincent Paul Migliore replied it was his error, it is 2.5%. She said a lot of this discussion has come about because of the \$700,000 surplus that we had and asked if you can give us some idea of where that \$700,000 came from. Vincent Paul Migliore said he would defer specifically to Dan Rossner on that issue. Vincent Paul Migliore continued to say the general comments have to do with the budget surplus we end up with in general and he sees this as a tool to help eliminate that. We budget for contingencies because there has been no tool until now, and as a result come June 30th or so, for the past several years, there has been more than half a million dollars in surplus. He might stand corrected for one or two years along the way. But for the past several years, that has been the case. It has always frustrated him and wonders why we can't manage better fiscally. It has to do with the need for the contingency funding that Archie Auger suggested. Currently, if you were to vote this in, it would enable us to be far more fiscally conservative on the contingency budgeting side. Knowing that we would have at least another 2.5% of the local taxes rose available to us as a capped level from year to year. We are not looking to add contingency budgeting to this article and aggregate that amount. We are looking instead to get our fiscal house in order with the tools that the Legislature has finally seen fit to give us. It becomes a question of whether or not you have faith in your School Board, and in your Budget Committee, who also support this article.

Dan Rossner addressed the question regarding the nature of the fund balance from this year. He said last year's fund balance of \$698,000 was a combination of two things; expenses were under budget in a long list of categories that totaled about \$500,000. We also had revenues above budget, they were about \$200,000. An example would be Medicaid reimbursement. A certain amount was budgeted for Special Education costs of \$200,000 and received \$305,000. Some Districts handle an increase in revenue by holding a special meeting to obtain permission to spend the extra money. This District chooses to hold fast to the bottom line. It is appropriated through that process and reports the excess revenue towards the fund balance. An example of some

of the savings that we achieved last year; some transportation savings, a number of students who were placed out of District are back in the District, therefore Special Education transportation was under budget in terms of expenditures by \$100,000. We went out to bid for our electricity supply which brought the cost of our electricity, the supply portion, down by 25%, approximately \$30,000. Some staff exchanges and retirements after the budget process. You tend to hire a more junior person; this is called a saving through staff exchange resulting in a net savings. A savings of \$8,000 in supplies and there were health insurance savings along with under expended tuition reimbursement. The entire computer budget didn't expend to the tune of \$45,000 and due to last year's mild winter there was a savings on utilities. Expense items are listed over 400 line items and there are dozens of things that add up. When looking at the big picture, it is under spent in the budget with a savings of approximately \$200,000 in revenue.

Louis Lieto (Groton) commented that in another school district in another state, which operates very similarly to New Hampshire, it has been the procedure to have such a statutory reserve for a fund balance. Very similar to the one we are talking about, for many decades, and it has proven time and time again. What it has done is eliminate any need for contingency items in the budget. He asked if it is the Board's intention to go forward after this year, should this amendment be approved, and to do away with contingency line items and supplant them with this item.

Vincent Paul Migliore said he would be remiss to speak on behalf of the entire Board, to say that was the case. He would not know how the Board would react. He would like to give the option to have that discussion. He sees this as a necessary solution to what he considers an ongoing problem, and shared an item from the New Hampshire School Board Association (NHSBA) dated February 1, 2013. He felt it hit home on Article 4. NHSBA talked about national issues going to affect local education. School funding is a major concern for local districts. Unless Congress intervenes before March of this year, Federal cuts to public education from sequestration would impact local districts significantly; likely in the 5% to 8% range for programs such as Title I and IDEA. Furthermore these cuts would continue for a ten year period impacting services provided to students with disabilities, and disadvantages year after year. The concern with the top down nature with the new mandates impacting local school districts is where he's coming from. The need to provide more flexibility to local Boards is as they oversee and set policy for local schools, an article like that would give that kind of flexibility. All too often, the activities that occur in Washington have impacted local school districts policies and programs in ways that go beyond the intent of the specific law. But, we, you, have to deal with that. This article gives us that flexibility and hopefully addresses the issue of reducing the number of contingencies. But he doesn't know what the new Board will decide to do.

Louis Lieto (Groton) said he would like to follow up with the need to have contingencies and the fund proposal in this year's budget because you do not know if it will pass or not; the contingencies are fail safe. He was a little surprised that the issues of whether or not contingencies would be reduced in the future were not at least the topic of conversation. Recognizing that the Board will change, it is still a legitimate item that should have been discussed. He said Vincent Paul Migliore's comment about the reduction of funding going forward, that is years, after this coming year to him doesn't ring quite true with respect to this proposal. Because after this year, if those changes were if the sequestration does in fact occur that represents a dislocation for this year; in some sense, a surprise. For the following years you can still budget for it in advance because you know.

Fran Wendelboe said the old adage; you should have so many months of money set aside which kind of what a contingency is. The towns already have flexibility, and school districts were not able to until this legislation was passed last year. Some towns reserve as much as 15% of their locally raised taxes that carry forward as a surplus because the law allows. Actually, the Department of Administration highly recommends that the towns carry the funds forward because it gives them flexibility in their management skills. But bear in mind that towns can do something the School Districts cannot; towns can go out and borrow money, schools can't. If a town finds they're short on money, for whatever unexpected expenditure, they can simply go and raise taxes based on projected revenue they are going to be receiving. School Districts only get money when it is sent from the towns. In some cases the School District does not get revenue from the towns, particularly at the beginning of the year, until two to three weeks later after the first of the month. If June 30th is swept out and everything goes to a zero balance, the school has no money because the surplus was returned against the next year's taxes. They have really no

money to operate until the School District is paid by the towns. This gives a little bit of a float. They can't spend it for other purposes. If this past year we had this provision, on that \$700,000, of course we would have been talking \$140,000. The problem with saying we can do away with contingencies is because there are a number of contingencies, a few of them were mentioned. Let's say all of our single teachers got married and went into family plans. That is a big increase that wasn't budgeted. However there are some things that you cannot project; Special Education, things of that nature. Contingencies are always going to have to be there to some degree maybe not as large. The big difference is to spend this money under the provision. At a maximum you have to have a special hearing, where as contingencies can be done by the School Board action at a regular School Board meeting.

John Thouin (Bristol) said he couldn't speak on the expertise of this article, from the standpoint of studying law and understanding what it says, but he is hearing today in addition to contingencies, which by the way, towns are not allowed to have. We cannot have a contingency fund in Bristol. A little extra money can be put in each extra line, but cannot have a line that says contingency fund. He is hearing that, as Lou Lieto suggested, there is the problem this year, you've got the article and you still need to create the budget. He thinks it would have been better for the School Board to have made a commitment to reduce contingency funds in the event of the passage of this article. He really has a hard time putting them both in place. His recommendation to the voters of this District, for this year, would be to reject this article and to have the School Board reconsider it next year when they can better understand how it would affect the budget. Archie Auger (Bristol) last comment to contribute was, the comments made by the Budget Committee Chair, were not accurate in terms of the law. A statement was made that some towns don't pay their bills at the beginning of the school year, July 1. It is true, and it makes it very difficult. This contingency fund, under this article, would not solve that issue at all because you have to use that money under RSA 32-11. This is a process that is going to take about a month to get through. He was wondering if they were familiar with RSA 32-11 and the example given wasn't all fairness and right.

Suzanne Smith (Hebron) understands it; she said we are not giving approval with this article to spend 2.5% more. We are asking for the ability to hold it back just in case it's needed. She questioned if it was true that if we don't use the funds one year, we have to give it back in taxes the following year and are not holding it over every year. Vincent Paul Migliore affirmed that was correct. Suzanne Smith said she has seen in the past six months with the problems the School District has faced, with almost having to slash the budget more this year, the 2.5% could help in emergency situations. Although, it wouldn't have helped that much this year and it is not, as Fran Wendelboe said, it would not have been enough this year. It is not a huge amount of money we are asking to hold back, but it would really benefit the School District if an emergency were to come up.

The Moderator closed the debate. Mr. Hiller (Town not declared to the transcriber) made the motion to close the debate seconded by Mike Capsalis (Bridgewater). The Moderator declared the debate closed, the Ayes in favor. Article 4 will appear on the ballot as written.

ARTICLE 5: EXPENDABLE TRUST FUND: BUILDING MAINTENANCE: To see if the Newfound Area School District will vote to raise and appropriate up to the sum of sixty thousand dollars (\$60,000.00) to be added to the Expendable Trust Fund: Building Maintenance, and to authorize the use/transfer in that amount from the undesignated fund balance available July 1, 2013 for this purpose. *This article is not included in Article 7 – Operating Budget).*

(The School Board recommends this article by a vote of 7 to 0. The Budget Committee recommends this article).

Suzanne Cheney addressed the article. She explained this is a yearly request for funds to be added to the Maintenance Trust Fund for Building Maintenance. The transfer only occurs if funds available at the end of the current fiscal year, unexpended fund balance. These funds can only be used for building maintenance purposes. The current trust balance is \$60,000.

Stephan "Slim" Spafford (Groton) posed a question regarding the tremendous amount of paving the School District has done. He wanted to know if that was included in the Building Maintenance and if it is considered 'building' maintenance. He said patching would have been very nice; easier and cheaper and would like to know if the paving was written in to be used. Dan Rossner replied that he assumed he was referring to the road

reconstruction project performed at the High School on the east side of Newfound Road. Stephan “Slim” Spafford mentioned Bristol and Hebron were repaved this year. Mr. Rossner replied the paving that has been done was not paid from the Building Maintenance Trust Fund that this article addresses. All the paving that has been done, since I’ve been here, has not been paid with the fund. The work at Bridgewater Hebron Village School was handled by the Bridgewater Hebron Village District; the entity that built and owns that building and leases to the School District. The paving that was done two summers ago at the Middle School was a federally funded grant. The paving at Bristol Elementary School, which was completed in the summer of 2011, was in the district budget under maintenance projects. The work completed on the east end of Newfound Road was also in the general budget under the maintenance project 2600 section of Plant and Facilities section. None of it came out of the Trust Fund.

The Moderator closed the debate. Sue Martin (Bristol) made the motion to close the debate seconded by Archie Auger (Bristol). The Moderator declared the debate closed, the Ayes in favor. Article 5 will appear on the ballot as written.

ARTICLE 6: TAX CAP RESCISSION: Shall we rescind the provisions of RSA 32:5-b, known as the tax cap, as adopted by the Newfound Area School District on March 13, 2012, so that there will no longer be a limit on increases to the recommended budget in the amount to be raised by local taxes? *By petition*
(Passage requires a 3/5 majority ballot vote)

The Moderator asked if there was a petitioner that would like to address the motion. Archie Auger (Bristol) explained that this was an article that was passed this past year. It has had one opportunity to see how it works and at this point it seems to have worked reasonably well. If we look at this article, and look at what the tax cap does is affects one group. That is where the limit is placed. If the voters of the District wish to increase the budget, they have every right to do so and the tax cap has absolutely no meaning to what the voters choose to do with the budget. They can’t present a budget more than a 2.5% increase, but if we want to do more we certainly can.

Louis Lieto (Groton) said a statement was made by one of the previous speakers that we tried one opportunity to test the mettle of this measure and it worked just fine, thank you very much. Had it worked just fine, all of its intended consequences were the only thing we would have gotten. A special act wouldn’t have required the legislature to rescue us. Having said that, he’s not demeaning it, he’s simply pointing out there has yet to be discovered unintended consequences of things we do. The second point that was made by one of the previous speakers was that we can change whatever the Budget Committee recommends to us in this session that is certainly true. There are two flaws with that he sees. One is the Budget Committee, in its deliberations along with the School Board’s input, is an informed group of people. Informed to a much higher degree about the nitty gritty budgetary issues, academic issues etc., than the average person in the district. We elect the Committee and rely on them to do due diligence, regardless of whether or not he agrees with them. They work hard and are well informed on the issues and would expect them to come forth with their best understanding of the best budget. If they are restricted in doing that, because of the consequences of this article we are living under, that is not in our best interest. Furthermore, as in a year not too long ago, when a significant change to the budget was made on the floor, one of the consequences of that was significant discord; significant discontent within the community. He doesn’t foresee this forum should be the regular way we alter budgets. He believes a tweak here and an adjustment there perhaps. But the budget that comes to us ought to be unconstrained by external issues and mostly constrained by your assessment of the financial capabilities of the District and your assessment of the academic needs of the District. He concluded, “I encourage you to rescind this amendment.”

Dorcas Gordon (Bristol) said she is in favor of this article. She was so disappointed when this was voted in last year. She thinks of us as a community that is so much more thoughtful and progressive than this article would suggest. She doesn’t necessarily think that spending more money is the answer to better schools, but in a given year, where an increase is over 2% is warranted. She wants our District and our Budget Committee who we have elected and entrusted to have the ability to do this to meet the needs of our community.

Vincent Paul Migliore reiterated that neither the School Board nor the Budget Committee has taken a position on this article. He believes they would like the voters to decide. He has asked Dan Rossner to present some educational slides to elaborate further on what this means. The slides presented showed how the tax cap worked without indicating any bias.

Dan Rossner explained the numbers given were rounded for simplicity. The example given was, if the Budget Committee had a budget amount of \$20,000,000 with \$8,000,000 in state mandated expenses, and the net local raised is \$12,000,000; with the tax cap we have in place this year, the 2%, that would affect the net. That gives an increase of \$240,000, assuming the state aid remains constant. The total school budget recommended would be the \$20,240,000. This would include additional articles for additional monies. For example, because the Budget Committee recommended approval of the new teacher agreement the \$56,000, the warrant article cost is not included in the \$240,000. It is intended to be the power of the legislative body of the executive session. His example used was to show the mechanics of the process. He offered to give further explanation if there were any questions. Archie Auger (Bristol) asked Dan Rossner if he was familiar with the RSA that allows the school district to go above 10%. Dan Rossner replied he was not familiar with the RSA. Archie Auger said there is such an RSA and the second question he had; Dan had indicated on one of the slides, you can only reduce it by 10%. He did not think that was accurate either. The legislative body can reduce it to zero if they choose. Dan Rossner said he disagreed because we have legal responsibilities we have to meet. At this point he asked to bring counsel forward for their opinion. Legal counsel was in agreement with Dan Rossner.

Todd Westfall (Alexandria) said he did not support this warrant article last year. But he understands where it comes from. For years he has been attending these meetings and every year there is a proposed increase by a certain group in the community. He thinks this warrant article came about because they wanted to exercise some kind of control. It was overwhelmingly voted in. Louis Lieto (Groton) said we should be able to trust our elected officials. The officials we have here have done an outstanding job. Both the Budget Committee and School Board have done a great job of trimming the budget. Dan Rossner has done that through the years. The budget is really under control at this point. They have had to come forward with lower budgets. Overall it has been a net gain for the District. He thinks it is going to be difficult as we move forward having to rely on amendments or articles' going onto the budgets with a 2% max increase in future years is going to be very restrictive to the District.

Janet Cote (Bristol) directed her comment to the Budget Committee – She said last year you came to us with your comparison to other Districts' that we should be an \$18,000,000 district. You were able to cut things down to \$20,000,000. Her concern was \$500,000 from last year's budget was saved and add 2% to that, we have padded the budget for the contingencies; we are still on the basis of not necessarily being in comparison to other districts. Her concern for the cap to stay in place when we really have a handle on those comparisons as well as what we are spending for our education dollar. Dan Rossner clarified that last year's budget was a little over 24 million and this is the first year with a substantial reduction.

Bruce Wheeler (Bristol) stated he is a little concerned with the Tax Cap. We are in a building that is 23 years old. To the best of his knowledge the roof has been repaired, it is dry inside. But some day that is going to need to be replaced. He can't imagine tying the Budget Committees' hands if we can't recommend a roof replacement when you honestly think it is needed, unless we can take all that money out of educational expenses that particular year. So they are left in a position of not recommending a budget that they may honestly feel is needed because it would raise it more than 2%. If they say we need more money, I'm likely to believe them. Having a Tax Cap stand in the way so they can't say just doesn't make sense.

Mike Gelderman (Bristol) questioned if there is any inflation tied into this? An average inflation is 4% and the last few years, because we have been in a recession, we've seen a lot less inflation. We also haven't seen much of an increase in the average person's wages. All it would take for this recession to end, to really destroy our schools is just normal inflation. With any growth in the town we would not be allowed to tax levy new taxes. We would have to lower tax rates, which would be a good thing. But we couldn't raise extra revenues. Where it sounds great, but is too black and white, in a world that isn't black and white. Any business would go out of

business if they levied this into their own budgets. Sounds like a great idea, but inflation will take down the schools.

Stephen “Slim” Spafford (Groton) knows the School Board has done a great job of projecting. Vincent Paul Migliore had written a letter to the newspaper explaining the reason the budget has to go down is because we don’t have the attendance any more. Over the years he knows people have projected the number of kids attending. We can’t just say we are going to have a big influx of inflation. Also, because of the hype with the wind towers, nobody’s going to want to move into the area anyway because it’s going to be ruined. Louis Lieto (Groton) said it is important to note that the question of unintended consequences is the issue at heart. The people facing the audience, any of you who have gone to a few of their meetings, have to appreciate the extraordinary amount of time and energy they put in. If, in fact, we can make that decision there is such a thing as putting a Tax Cap in place, I think that they in fact, can take a lot more time at home with their families. The Tax Cap really isn’t being very beneficial.

Louise Lieto (Groton) moved to end discussion. The Moderator announced we give him this opportunity, seconded by Janet Cote. The Moderator declared the debate closed, the Ayes in favor. Article 6 will appear on the ballot as written.

ARTICLE 7: OPERATING BUDGET: Shall the Newfound Area School District raise and appropriate as an operating budget, not including appropriations by special warrant articles and other appropriations voted separately, the amounts set forth on the budget posted with the warrant or as amended by vote of the first session, for the purposes set forth therein, totaling \$21,735,070, Twenty-One Million, Seven Hundred Thirty-Five Thousand, Seventy dollars? Should this article be defeated, the Default Budget shall be \$22,065,040, Twenty-Two Million, Sixty-Five Thousand, Forty Dollars, which is the same as last year, with certain adjustments required by previous action of the Newfound Area School District or by law; or the governing body may hold one special meeting, in accordance with RSA 40:13, X and XVI, to take up the issue of a revised operating budget only.

(The Budget Committee recommends this article. The School Board recommends this article by a vote of 7 to 0).

Fran Wendelboe stated that as many of you are aware, last year we had an overflow room. There were a number of proposals that were part of the operating budget that a lot of people had a lot to say about. This year, this budget, is recommended by both the School Board and the Budget Committee. There are no teacher reductions, or staff reductions in this budget. As you heard earlier with the warrant article there is a small increase on teacher step salaries and a modest increase for support staff in the Budget. There are no proposals to close schools or to move students from one school to another grade-wise. It is a well thought out budget some areas went up. There were other areas that were able to be adjusted to stay within that 2% Tax Cap. As Louis Lieto mentioned, by law the Budget Committee cannot bring forward a budget that is more than a 2% increase of the local Tax Cap of taxes raised in the prior year. The School Board did not have that parameter and the number they came up with was within that Tax Cap as well. Fran Wendelboe thanked the audience and asked they support this recommendation and would be happy to answer any questions. The moderator opened the floor for discussion.

Stephen “Slim” Spafford (Groton) said the Budget Committee did a great job this year. His question was, whenever anybody goes in the voting booth in the past, until recently, the default budget was bigger. People asked why and his reply has been, ‘ask them’. Whoever heard of a default budget higher? He never did until it started happening in this District a few years ago. Therefore, he had an Amendment. He’d like to amend Article 7 second sentence to read: “Should the Article be defeated, the Default Budget shall be \$21,000,735.60” submitted by him. The Moderator asked for a Second to the motion. The motion was seconded by Mr. Cote (Bristol).

The Moderator said a procedural question has been raised on whether or not the default budget can be amended. The Moderator called upon Legal Counsel to offer his opinion.

Attorney Peter Bronstein said the Default Budget is determined either by the School Board or in some instances the Budget Committee and cannot be amended by this meeting. The Moderator continued by saying having heard that opinion, we are not going to proceed with the amendment. He asked if there were any other comments.

Todd Westfall (Alexandria) had a question for Legal Counsel regarding the Default Budget. In past years, and would assume this year as well, one of the line items that has been increased is to bring the default budget up above last year's budget. It has been an estimated increase in the cost for heating oil which is not under contract. There is no legal obligation to heat buildings 'round the clock, or to keep the thermostat at a certain level. Obviously there may be a loosely interpreted obligation to keep our kids from freezing and we don't want that. He wanted to hear from Legal Counsel how it is legal, under the current RSA, which only allows for increases on legally contractual obligations. How can we add an amount based on an estimate for the upcoming year? The Moderator clarified the question as whether or not estimates over and above contracted amounts can be applied to create the Default Budget. Todd Westfall said he believes it had been applied and was applied this year and questioned whether this was legal.

Dan Rossner addressed the heating oil, which he said is the same cost in the Default Budget as in the current year. The Default Budget for next year is at a cost of \$3.00 per gallon for heating oil and we are budgeted the same this year. The Moderator said there aren't any estimated costs that would be increased over the contract amount in the current budget? The answer to that was 'correct'. Todd Westfall (Alexandria) asked for clarification from Counsel, since it was done in the past is it legal to do. The Moderator clarified it is not being done in this Budget. Todd Westfall said this is what we have heard, but we are seeing it \$300,000 higher, correct, than last year's budget. Obviously, there are some increases somewhere. The question would be, if we are not contractually obligated, and there is something that is estimated, that will cost more, is it legal to do that under the Default Budget? The Moderator countered with, rather than do that, why don't for an explanation why the Default Budget is the amount that it is. Then you can make a determination as to whether or not they are using these estimated values, ok? Todd Westfall agreed. Dan Rossner explained the methodology of how the Default Budget was built. Slides were presented of the current budget of Fiscal Year 2013 (FY13). He explained that he takes the budget from FY 13 and builds it in Excel and from there it is put in the Financial Management System. He changes the health insurance premiums to reflect the rate increase that we have been notified of in advance by our health insurance underwriter. He's changed the employer's portion to NHERS (New Hampshire Employee Retirement System) rates and has changed energy costs. No change to the heating oil, decreased electricity, because of the new contract, we've put in a small increase for diesel fuel because we do have to run the school buses (an area that was under budgeted). He offered to show his energy cost projections if anyone wanted to see them. Dan Rossner asked Counsel if it is legal for us to change the cost of diesel fuel. The Out of District cost have changed, not because of projected, but because of known cases of students that need to be placed in facilities outside the District. Expenses for the Life Safety Codes at New Hampton were removed and reduced the Bond payments per the debt schedule. Staff resignations and retirements is one of those items where the governing body has the authority to build the default budget with some interpretation and flexibility. For example, if you have a teacher in the current year's budget, making \$50,000. You could leave that salary, even if you know they are retiring, for the default budget for next year because you are not reducing the position. Or a more conservative approach, which is what Dan Rossner would characterize the School Board's approach and how they have directed him to build the Default Budget. With guidance and assuming you have a more senior person retiring, assuming you would bring in someone with less experience, a junior teacher at a lower salary and use that lower salary both in the projected and the Default. That is an example of some of the flexibility that is charged with building the Default Budget and an example of how this School Board has chosen to build their Default. The Moderator added that still leaves the question as to whether estimating cost of diesel fuel should be included in there. Mr. Rossner said he would like Attorney Peter Bronstein to answer that question.

Attorney Peter Bronstein replied he doesn't know if his opinion is relevant. It is his understanding that these budgets were reviewed by the Department of Revenue Administration (DRA). It has overall authority throughout the state to determine whether or not these default budgets are correct. It is his understanding that everything was reviewed by DRA and found to be in compliance with the statutes and regulations. He thinks the answer to the question is would it be better if every figure were to the penny as to outstanding contracts – yes. Is that possible – he didn't think so. He thought that is why DRA shows some flexibility. Todd Westfall (Alexandria) replied he doesn't think DRA does much more than rubber stamp everything that comes across their desk. Getting back to the legal issue of it, he thinks this default budget was built in a very thoughtful manner. However, when you are talking about why is there such an increase every year. With the Default Budget, a lot of people think a budget should be what last year's budget was. The fact is there are areas that could be legally challenged. If anyone wants to do that, you've heard a very weak argument as to why estimated values are allowed to go in the budget. He's heard legal counsel in the past say they were surprised that no one has come along and challenged it in court.

The Moderator added that he thought there was a common sense feeling about it that if you have a default budget it should be less than what you are voting on. He continued, that it doesn't necessarily mean that there isn't some legal rationale for the way it has been constructed.

Wayne Anderson (Bristol) wanted to thank the Budget Committee. He recognized the challenges they faced this past year, the reaction of the electorate, deciding on the budget and some of the cuts that were made. He appreciates all of the due diligence that has been put in, the extra hours; the School Board as well. He does want to challenge them on this short term thinking, when he asked the question on define benefit programs. He explained he moved here in 1997. His company did not vote, they demanded a 12% contribution over 3 years for his health care during a time when 2% to 4% raises were given. When factoring in a moderate inflation of 3% it was a net negative for his family. When you negotiate, one year terms from a 90% contribution down to a 87% contribution, in the private sector we sit and scratch our heads and wonder if you really live in that much of a bubble? He would encourage a little more dialogue with the union over a longer period of time. What would make common sense is something a little more equitable than a 3% over one year. And then negotiate again next year, and then the next year. It seems like what's going on in Washington with stop gap measures, in terms of our financial policies, which is frankly a drain on the economy. He concluded with a positive, big thank you for all the electorate, at least from him for working with the budget that was handed to them and delivering on that.

John Thouin (Bristol) said he stood today to express some happiness and some disappointment at the same time. The disappointment was this budget isn't lower. Quite frankly, he felt too much in the school has been spent on things that perhaps don't need to be spent on. He has stated that on several past occasions and has identified some specific things he has suggested for that. He is happy that the Budget isn't higher. Because of the strange rules of what used to be known as SB2, RSA 40 causes us to do. Now we have the opportunity to vote 'yes' to get a smaller Budget. In the past this District had to vote 'no' to get a smaller budget. We need to encourage those that are staying on to work towards a much lower budget. There was discussion last year about being an \$18,000,000 District a long way from a \$21,700,000 District. The difference between the Default Budget and the recommended budget is about one and half percent. He would like to encourage everybody to work on having a five percent decrease and target where we are going. He doesn't know how many students there are in the district. If there are 1500 would results he believes about \$15,000.00 per student which is a lot of money. He will support what has been presented but at the same time, he would like to remind everybody not to beat on their town budget committee's because the tax rate is set primarily in this area by what the School Board spends. Amy Lyn Kench (Bristol) said the comment that was just made, that we are spending \$15,000.00 per student; could she ask Dan Rossner if that is an accurate number, and does that include students across the board? She knows one of the comments that were made by several Board and Budget Committee members is that the Budget should be lower because the number of students is reducing. But she has also heard more special needs students are coming into

the District and each one of those actually costs more money than non Special needs students. Has it been calculated out for the non special needs students? She has heard a student that moved to the District 1 or 2 years ago, that \$100,000 is being spent on to send out of District. That is taking money away from other Special needs students. She was also wondering about the tech upgrades that were supposed to take place, but they were pushed off because of the decrease and asked if it happened this year. Students are sharing computers and sharing books; and are being told not to take books home. If we don't have those upgrades to our technology in the schools our students won't be able to compete. Vincent Paul Migliore said the current number of students enrolled is 1,268 and it continues to decline and has been the direction for several years.

Dan Rossner said in the budget proposal for FY 14 (discussing the General Fund -Fund 10); \$15,500 is an accurate number. That includes numbers that are not generally in the State DOE Website. Items such as transportation and bond payments are removed. As far as Tech upgrades, we are in the final year of our most recent three year technology plan. Many of the technology upgrades that were removed from the previous year's budget have been implemented this year. In terms of a student/computer ratio; we have gotten to the level that was called for in the three year plan. This was approved by both the School Board and the State, three years ago.

We do not have a plan to get to a one to one ratio. Students, from my perspective, unless there is a radical change in philosophy, students will always be sharing computers in this District. One of the initiatives that we are still developing, that we wish to present to the Board, from an Administrators stand point, in the very near future are e-books. Where using i-pad, or nooks or other devices. To bring text books onto those devices. You acquire more of those devices, but they are more cost effective. It would enable you to update your books more regularly. There is a whole host of benefits to moving forward with the e-books initiative, but that proposal is not complete, so we have not been able to present it to the Board or the public yet.

Lauren Therriault (Bristol) has noticed a lot of people thanking the Board and Budget Committee, and would like to thank them all. But she would hate for the meeting to go by without saying thank you for the Teachers, Support Staff and Administrators. People are working hard, if not harder than before with a lower budget, she wanted to recognize what a great job they were doing and thanked them for that.

Stephen "Slim" Spafford had a question regarding the K-8 research Ruby Hill is doing. He wanted to know how it was progressing. Ruby Hill gave a status update. The Committee had met as recent as the previous night and toured two of the buildings. There is one meeting left to go over the data. After that they will be making a report. There is a lot of data on the district website. Right now the data is test scores, cost per student, about incidences and discipline issues. She said she would like to make a general comment about our budget. She said with the 2% Tax Cap and 10% cut in the budget last year, we talked about unintended consequences, we don't know what some of that fallout is yet and we are still discovering that. We had to make some staff changes after the year. This is a gray area. We want to make sure that, as we move forward, whether we reduce the budget, that the primary focus is getting the kids a good education.

Fran Wendelboe said there was a question that did not get answered regarding Special Education costs and a number of \$100,000 it is costing the school district for a student. She reported that is not quite accurate and noted there is Catastrophic Aide, where the Federal Government gives a greater reimbursement for very high cost children. You might recall earlier, that Dan Rossner spoke about us getting \$300,000 in reimbursement when we had only budgeted for \$200,000. You always have to bear in mind there are some other monies that come in towards that cost and that \$100,000 is not a net cost. It is usually much lower.

Janet Cote (Bristol) wanted clarification on amounts – Special programs; is that special needs or is that all other programs other than regular education programs? She specified she was looking at the 1200 function line of the budget. Dan Rossner replied that the 1200 series is all related to Special Education. He said there was a very small portion imbedded in the 1200 function, which is summer school. There are two types of summer school; summer school for identified students to cover required year round services which is about \$25,000. There is also summer school for the non identified students, who need some catch up time. Janet Cote stated that special needs

contributes to just about half of the program costs for our students. Dan Rossner replied it is about a \$5,000,000 amount. Janet Cote said she follows what is going on in the school district and has attended meetings. Our School Board has taken under advisement and committee work on Special needs, K-8 and many other issues that have come before them including negotiations with teachers. They have done a commendable job and the Budget Committee has done very well looking at these numbers and dealing with the constraints of the 2% Tax Cap. She thinks we should thank our volunteers who come out and do this sort of work for our students. She also thought that all can't come to one meeting and understand what goes on with the District. You need to follow it and you need to understand. You need to be cognizant of what it is to educate our children and it does cost money. But we want it to be valuable. We want to have good students coming out of this district, and hopefully coming back to this district. The communities have their own responsibilities.

Amy Fairbank (Bristol) asked when there was discussion of the amount of \$15,000 per student; is there an amount that separates out regular education and special education costs? Some people speak to the fact that it is \$15,000 per student; in special education staff does a very good job to protect, educate and prepare students the best that they can. This is regulated by the state and is not money that can mess around with. The money is directly allocated for the students' protection and education. The adjustment of any monies would be for regular education students. If is not not mistaken, last year our regular education students were being educated at a cost of \$10,000 and \$11,000. She has three children in this District. If we have to take the budget and cut it down by requests of people that aren't really understanding the money distribution of regular education and special education, her children will be educated on a lower level because they don't need the money that is regulated by the state. Her kids would be suffering if the budget for regular education continues to be cut.

Archie Auger (Bristol) made a motion to close the debate, seconded by Louis Lieto (Groton).

The Moderator declared that the Ayes in favor. Article 7 will appear on the ballot as written. The Moderator invited a motion to adjourn. The meeting was adjourned.

Respectfully Submitted,

Leah McDevitt, Clerk