**TOWN OF NEWMARKET, NEW HAMPSHIRE**

**BUDGET COMMITTEE WORKSHOP**

**December 5, 2016 7:00 PM**

**TOWN HALL AUDITORIUM**

**SCHOOL PROPOSED FY2018 BUDGET**

**Approved April 3, 2017**

MEMBERS PRESENT: Chairman David Foltz, Vice Chairman Daniel V. Smith, William “Blue” Foster, Michael “Mickey” Burns, Jeff Raab, Meg Louney-Moore, Dan Hill, Ashley Bowley, Town Council Rep Toni Weinstein, School Board Vice-Chair Elizabeth McKinney

EXCUSED: Craig Dionne

ALSO PRESENT: School Superintendent Meredith Nadeau, School Business Administrator Lisa Ambrosio

**AGENDA**

Chairman Dave Foltz welcomed everyone to the Budget Committee Workshop Meeting of December 5, 2016 and called the meeting to order at 7:00 pm, followed by the Pledge of Allegiance.

**OLD BUSINESS**

**Approval of the minutes of the Budget Committee Town Workshop Session of November 28, 2016**

Mr. Hill made a motion to approve the minutes of the Budget Committee Town Workshop Session of November 28, 2016, which was seconded by Mr. Burns.

Correction: A change was made to correct the spelling of “McGrath” on the first page of the minutes.

Chairman Foltz polled the Committee and the minutes of the Town Budget Workshop Session of November 28, 2016 were approved as amended by a vote of 9-0, with 2 abstentions.

**NEW BUSINESS**

Chairman Foltz stated that School Superintendent Meredith Nadeau and School Business Administrator Lisa Ambrosio were present to go over the FY2018 School Operating Budget.

**SCHOOL PROPOSED FY2018 BUDGET – Work Session**

Superintendent Meredith Nadeau introduced the new School Business Administrator Lisa Ambrosio, who had been with the School for about 6 weeks. She stated that most of the information was provided to the Budget Committee last week, and said she would go through a high-level summary and then work through this year’s Budget Proposal by Function. She said the community expectations of the School Budget were to provide for the needs of the students educationally, be mindful of costs to taxpayers, and to continue to move the School District further into the 21st Century.

Superintendent Nadeau first reviewed some of the major drivers of the Budget for this year. She said the Teacher’s Contracts were approved with a base salary increase of 2.8% for the Collective Bargaining Agreement netting approximately $200,000. There were projected Health Insurance increases of 10% which would be another $159,000, and a New Hampshire Retirement (NHRT) increase of $106,800. She said one of the biggest single areas of increase was in Special Education, with a significant jump in Out-of-District (OOD) tuition to $275,676. She said other Special Education increases included $25,475 for contracted services, $56,000 for Extended School Year (ESY), and $12,878 for Transportation. She said there was also an increase of $30,000 in School Board Legal Fees, driven largely by Right-to-Know requests, and a significant increase in Building heating repairs and maintenance of $70,914 based on actuals. She said there was a contracted increase in Transportation of $14,468, an increase in in Seacoast School of Technology (SST) Tuition, with 69 students there this year and 75 projected for next year. She said the cost of $9,900 for Replacement Furniture was mostly for cafeteria tables at the Junior-Senior High School.

Superintendent Nadeau said that on the decrease side they saw a reduction of $67,000 for one staff position, which they felt they could absorb based on student population. She said they projected a decrease in Heating Oil of $43,780, a decrease in Severance Payments projected at $69,000 for next year, and a $25,000 reduction in Electricity based on actual usage. She said that overall they anticipated an approximate 1.5% increase in the total student population.

Superintendent Nadeau next reviewed the FY2018 School Proposed Budget. She said $17,140,713 was proposed for the General Fund with an increase of $828,928 over last year or 5.08%, but because of the single warrant articles last year the net increase was 3.06% or $17,926,113, of which Food Service comprised $335,400 and Grants $450,000. She next reviewed the FY2018 Budget by Function, and said Regular Education was increasing $185,115 or 2.93%, ESOL was increasing $17,801, and the grand total for Regular Education was $254,825 or an increase of 2.17%. She next showed a breakdown of totals for Special Education and related services, Other Facilities, and Transfers Out, with a total of $254,493 or 5.23%. She said that the grand total for Regular Education, Special Education, and Others was $509,318.

Superintendent Nadeau said another way to look at budgets was by percentile and presented a pie chart showing 38% of the budget in Regular Education, 27% in Special Education, Buildings & Grounds 7%, Technology 2%, Administration 11%, Transportation 4%, and everything else in the last 11%. She next presented a chart with expenditures by Object showing that 81% of their budget was Salary and Benefits. She said Contracted Services represented 2.2%, Legal Fees/Audit Fees/Athletics 0.7%, Facilities Operations/ Building Repairs 2.2%, Transportation/Travel expenditures at 3.9%, and Special Education and SST Tuition at 5%. She said Utilities/Internet/Liability Insurance was 1.8%, Supplies 2.1%, and Equipment Furniture and other Dues & Fees another 0.5%.

Superintendent Nadeau said she would next walk through the functions, and started with Regular Education Functions 1100/1260/1270/2800, which covered Teacher salaries and benefits, Aides, texts and supplies, ESOL & Enrichment, institutional support, and tutorial-type services for a total increase of 3.18% or $202,754. She said throughout the budget they would see the 2.8% increase in Teacher salaries, the 10.8% increase in Teacher Retirement, and the Health Insurance increase of 10%. She said there was also a reduction of one staff position due to recent retirement and an increase in Replacement Furniture. She said Function 1200 was Special Education with a change of $499,812 or 14.23%, and that the function categories were how the State required them to report the Budget. She said this included Teacher salaries and benefits, Aides, Tutors, supplies, and IEP items specific to Special Education and Tuition for Out-of-District Placements. She pointed out that again there were major increases in Out-of-District Tuition, ESY (Extended School Year) Services, Teachers Retirement and medical increases.

Mr. Smith asked where they usually went for out-of-district tuition. Superintendent Nadeau said a half-dozen students were serviced by their Regional Support Center, and said they also had students placed out-of-State for more medically intensive services. She said all of their students were in New England and marginally in New Hampshire and Massachusetts. She said the higher daily tuition rates of $435/day were for more intense medical and autism programs, and rates in the $200 range covered regional programs, which serviced moderate intensity students as well as students with significant emotional and behavioral needs. She said the table provided showed their projections for the next year. She said the Tuition Handicapped increase of $275,676 represented two additional placements. She next reviewed Function 1300, Vocational Programs and Tuition, which saw a change of $11,159 or an increase of 8.35%. She said the budget included 66 students with 69 already attending and 75 students projected for next year. She said FY2018 costs for SST Tuition increased by $31/per student.

Superintendent Nadeau next reviewed Function 1400 Co-Curricular, Athletics, Summer School, and Homework Club, with an increase of $6,516 or 1.03%. She said the biggest driver was the increase in Athletic Coach Stipends, which had been in development and reflected the fact that stipends were well below the market in this region. She moved on to Function 2100 with a change of $65,708 or 12.74%, covering Student Support Services including the Director of Guidance and Counselors, Secretary and Nurse salaries and benefits, and other Health Services. She said the biggest drivers were again salaries, retirement, and health insurance, and a 0.3 Fulltime Equivalent Nurse to meet incoming student needs. She said Function 2100 covered Student Special Education Support Services, including Psychologists, Speech Therapists and Occupational and Physical Therapists, with an increase there of $50,514 or 8.23%.

Superintendent Nadeau next reviewed Functions 2210/2220/2230 which covered Support Services Instructional and Technology. She said the Curriculum Director salary was included last year, but the Board had shifted that position to be a year-round Assistant Superintendent position. She said this also included Library, Medical, salaries and supplies, Professional Development, and an increase in software. She said the biggest reason for the decrease of $24,084 or 2.7% was for Technology Replacement Equipment, which the Board decided to charge to the Capital Reserve Fund for Technology. She next reviewed Functions 2310/2320/2332 which covered the School Board, SAU Management and Special Education Administration. Mr. Raab asked if the exact amount for Right-to-Know was for this line-item, and Superintendent Nadeau said they were tracking it and were already at $12,000 for this fiscal year with other pieces coming. She said they anticipated a reduction in severance payments of approximately $79,000, which netted the $35,313 decrease under the 2300s.

Superintendent Nadeau next reviewed Function 2400 School Administration, which showed a decrease of $6,417 or 0.75%. She said this covered Principals, Secretary salaries, office supplies and equipment, and Department Chairs, with 2 new administrators at the Junior-Senior High School. She said Function 2600 covered Buildings & Grounds and Facilities Operations & Maintenance where they saw a decrease of $32,088 or 3.02% due to a reduction in heating oil and electricity costs, which were balanced out by repair and maintenance fees. She said that in addition to the amount in the Operating Budget, the Board had set aside $70,000 to come out of the Capital Reserve Fund if needed. She said the fund currently had approximately $240,000 for anticipated expenditures to replace an oil tank at the Elementary School which did not pass inspection, and that they would not know for sure until they got final encumbrances. She said the Board had discussed a possible worst-case scenario if the boiler at the Junior-Senior High School failed, and said the only short-term solution would be to bring temporary heating, and added that the building that housed the boiler was not up to Code. She said they could purchase a Lease/Loan over 10 years for about $1/2 million to replace both, and felt they could cover a first-year payment out of Capital Reserves.

Superintendent Nadeau moved on to Function 2700 Regular and Special Education Transportation, and said they were in the 3rd year of a 3-year contract with a 7% year-over-year increase, with transportation costs of approximately $14,000 additional, and $11,000 for Special Education transportation out-of-district. She said that for Function 4600 Building Improvements they were in the 3rd year of a 5-year contract for the second Modular, which was last year’s 1-time warrant article to purchase the McGrath Property. She said that Function 5200 Transfers to Other Funds showed a decrease of $149,300 for a 1-time warrant article approved last year to transfer to a Capital Reserve Fund for School construction and renovation, which was being expended this year for Architectural and Engineering fees. She said they were not proposing additional fund transfers for the next year.

Superintendent Nadeau said that outside of the regular Operating Budget, they were projecting level funding for Fund 21 Food Service, with gross revenues based on sales. She said that Funds 23/24 were Entitlement Grants, which were flow-through funds from the Federal Government to the State and then to the School District. She said Title I covered some reading and math tutorial support, but they were projecting it would stay flat at $450,000.

School Business Administrator Ambrosio provided an update of the changes in the new FY2018 Budget Summary provided. She said there was a budget adjustment going out of the Replacement Equipment line to cover Special Education Paraprofessionals, as she did had not included a Licensed Nurse Assistant and other Paraprofessionals that were needed. She said to accommodate them they had to make an adjustment where they planned to use Capital Reserve Funds to cover equipment leaving Replacement Equipment flat. Ms. Bowley asked if the 2.8% increase to salaries included Coaches as well, and Superintendent Nadeau said it did not as they were not written into the Collective Bargaining Agreement in their District. Councilor Weinstein said it looked like approximately 20 additional students next year in the Junior-Senior High School. Superintendent Nadeau explained that class sizes at the Junior-Senior High School tended to be larger than in the Elementary School, particularly in the lower primary grades.

Mr. Foster asked what the average class sizes were for the Junior-Senior High School. Superintendent Nadeau said class size was determined more by load per department, and said core classes everyone was taking were larger with more selective classes being smaller. Superintendent Nadeau said projected enrollment for next year for the Elementary School was 19.9 and they were currently at 19.2. Mr. Raab felt the projections going forward for grades 5-6 could go higher, and Superintendent Nadeau said they looked at both local and NESDEC projections. Mr. Foster asked if they also had projections going past 2018 and Superintendent Nadeau said they did in the NESDEC enrollment report which went out 10 years, though she felt that after 5 years the projections were not very valuable at all. Chairman Foltz asked what was driving the increase in Catastrophic Gains (3230) of $60,554. Superintendent Nadeau said they were spending more in Special Education for those students that were above the State average cost per pupil.

Chairman Foltz stated that most of the increases in the School Budget were from salaries, medical, retirement, or Special Education. Business Administrator Ambrosio said under Account Object Sort they could see where the salary changes and other increases were, or they could look by Function as well. She said she wanted to look at Course Reimbursement with an increase of $5,000 or 12.46%, which was the amount set aside for Teachers and Professional Development. Mr. Raab asked if she could explain a little about Function 2900 Other EE Benefits under the summary by Function. Business Administrator Ambrosio explained that in the past all the 200-series Benefits for State reporting, Health Insurance, Workers Comp, FICA, and Retirement were housed under Function 2900. She said that at the end of the year all of the 2900 benefits had to be allocated back into Function, so you would know which were for Special Education and which for Regular Education. Superintendent Nadeau said if they wanted to compare actuals, looking at Object Sort in each of those categories would give that comparison.

Councilor Weinstein said Technology was mostly replacement equipment costs, and asked if any thought had gone into long-term new equipment costs. Superintendent Nadeau said they had not had a conversation on long-term goals for New Equipment at this juncture as they had been focused on Facilities. She said they would like to begin to move towards a one-Town environment with Technology which they could possibly reach over the next few years. Councilor Weinstein asked about students bringing their own devices. Superintendent Nadeau said that typically the School provided devices, and they had a good wireless bandwidth in place for students who brought their own devices and were looking at possible needs for School additions. She said that Teachers also had mobile carts for each grade level, and most classrooms had some type of computer, either desktop or laptop.

Mr. Smith asked if they had the infrastructure in place capable of supporting a more 1:1 relationship between students and computers. Superintendent Nadeau said that as they reconfigured walls with the Renovation/Addition, there would be some changes they would be able to make which were built into the plan. She said they already hoped to be able to move in the direction of a 1:1 relationship over the next few years. Mr. Hill felt they could handle that with the current bandwidth, and Superintendent Nadeau said they were less than 50% capacity right now but they had pretty good expansion capacities. Mr. Burns asked about Replacement Equipment (1100) at $12,000, and said that in 2015 they spent $1,118 and $1,198 in 2016, and asked if they anticipated changing the final number from the $765 spent so far this year. Superintendent Nadeau said part of that was due to a change in Administration as well as asking staff to cut back on some equipment purchases due to significant budgeting challenges, and said they any purchases would need approval which they were currently monitoring.

Mr. Burns asked if they were having larger expenditures by cutting back, and asked if there was a plan for replacements. Superintendent Nadeau said they were replacing on a 15-year cycle and they anticipated spending all of the $12,000. She they could not afford to not maintain their buildings, and said they would be laying out expenditures for boiler maintenance, roof refurbishments, and other pieces over a long time, and hoped to have the Facilities Director help with that process. Chairman Foltz asked if some of those soft costs would be part of the Addition/Renovation. Superintendent Nadeau said that one of the biggest items for soft costs was the kitchens, with equipment at the Elementary School 30 years old, and some antique equipment at the Junior-Senior High School which was over 50 years old, all of which would need to be replaced. She said as far as Furniture, they were carrying just over $200,000 in soft costs and they would be adding 50,000 square feet of new space.

Mr. Raab asked if they would be seeing “what if” scenarios in CIP if something passed or did not pass. Superintendent Nadeau said the Board felt strongly that it wanted to propose the right solution for the School, and if it did not pass they would address those needs at a future time. She said they knew the costs of different components of the project but had not done a sum total of them. Mr. Smith brought up the CIP Plan, and Superintendent Nadeau said their budget was largely Facilities, with Equipment to a lesser degree. She said the School should be setting aside 2% of their total equipment in CIP on an annual basis in order to maintain the standard of facilities they had in place. She said they were well beneath that spending at this point, and felt the Facilities Director could streamline resources for them.

Councilor Weinstein asked a question about Special Education, and Superintendent Nadeau said looking at Special Education by Disability showed that Autism numbers had held pretty steady. She said they were seeing the big change in Developmental Delay and a significant decline in Specific Learning Disabilities, with decreases in students requiring less intensive services and increases in those needing more intensive services. She said the trend over the last 5 years was that the percentage of children with disabilities was increasing every year, and said that Pre-School children had the highest percentage of disabilities per age group. Mr. Raab asked if people were moving in and out of the census or if categories were moving, and Superintendent Nadeau said it was the trend nationally. Mr. Smith asked if they were seeing anything unique to Newmarket, and Superintendent Nadeau said every town had unique pieces, but it was no more or less than anywhere else.

Councilor Weinstein asked if there were other bigger costs. Superintendent Nadeau said that Pre-School was developing and they hoped to have additional space there, and that along with Kindergarten early intervention would begin to pay back over time. She said they were seeing better end-of-year outcomes with full-day Kindergarten students which was very positive. She said there would always be students who needed special services, and unfortunately those costs were increasing. Mr. Burns stated that some of the most dedicated people were in Special Education, so the value they were getting out of it was equal to the costs. Chairman Foltz said that the amazing job done with those students was a tribute to the teachers and everyone else in the department. Superintendent Nadeau agreed and said people felt they would get a good education here for every child.

**OTHER BUSINESS**

**Next Meeting Dates**

Chairman Foltz said his next question was with regard to the meeting on December 19th, as the Town had a holiday concert scheduled for that night. He said they could either hold the meeting later that night or move it to another evening. Chairman Foltz suggested 8:00 pm as they would only be going over the Warrant Articles and any follow-up questions on the Operating Budget. He stated that there was another Public Forum on Facilities scheduled for Thursday at 6:30pm. Superintendent Nadeau said she would share the views from the Public Forum with them in advance and cover whatever the Board adopted next week. Chairman Foltz polled the Committee and they agreed to meet at 8:00 pm on Monday **December 19, 2016** to review the **School Warrant Articles**. He said the **School Budget/Bond Hearing** would be held on **January 12, 2017** and he would be out of town and unable to attend.

**Next Meeting:**  The Budget Committee will hold the **Town FY2018 Public Hearing** on **December 12, 2016** at 7:00 pm in the Auditorium.

**Adjournment**

Mr. Foster made a motion to adjourn the meeting which was seconded by Mr. Burns. The Committee approved the motion unanimously, and the meeting was adjourned at 8:23 pm.

Respectfully submitted,

Patricia Denmark, Recording Secretary