**TOWN OF NEWMARKET, NEW HAMPSHIRE**

**BUDGET COMMITTEE**

**May 18, 2015 6:30 P.M.**

**COUNCIL CHAMBERS**

MEMBERS PRESENT: Chairman David Foltz, Vice Chairman Michael “Mickey” Burns, Michael Lang, William “Blue” Foster, Dan Hill, Craig Dionne, Meg Louney-Moore, Daniel V. Smith, Jeff Raab, Town Council Representative Larry Pickering, School Board Representative Gail Durocher-Wentworth

EXCUSED: None

ALSO PRESENT: School Business Administrator Christine Blouin, Acting School Superintendent Dr. Mike Martin.

**AGENDA**

Vice Chairman Dave Foltz welcomed all present to the Budget Committee meeting of May 18th and called the meeting to order at 6:31 pm, followed by the Pledge of Allegiance.

**Attendance:** Chairman Foltz stated that all members of the Budget Committee were present, and welcomed School Business Administrator Christine Blouin and Acting School Superintendent Dr. Mike Martin of SAU to the meeting.

**OLD BUSINESS**

**Approval of the Minutes of March 30, 2015**

Mr. Lang made a motion to approve the minutes of the meeting of the March 30, 2015, and Mr. Smith seconded.

Changes: Chairman Foltz made a correction to the budget due dates for the Town and the School under *2015 Budget Committee Meeting Schedule* to read: “with the Town Budget due November 15th and the School Budget due on November 22, 2015”.

The Committee voted in favor of the amended minutes by a vote of 8-0, with 3 abstentions.

**NEW BUSINESS**

**School FY15 Review and Update – Christine Blouin**

School Business Administrator Christine Blouin distributed two (2) handouts to the Committee, the 2015 Newmarket School District Budget Report and a report of the School District Trust Fund balances. She then presented an overview of the year stating that it had been another year with a lot of turnover as there were 48 changes, mostly Para-Professionals. She said that there were 23 staff changes in the Elementary School, 24 staff changes in the Junior-Senior High School and one in her office. As 80% of the School Budget was personnel, she stated that this meant a 25% changeover equal to 77% of her Fund Balance number. She explained that every teacher salary had a ripple effect with New Hampshire Retirement, FICA, etc.

**Newmarket School District Budget Report – April 30, 2015**

School Business Administrator Blouin first addressed the *Tuition Handicapped* line item under *Special Education* on page 1, which showed approximately $60,000 in savings. She said that this was due to being able to keep a particular student in-house, who they thought would be an out-of-district placement. She reminded the Committee that though this was an overall savings, it would cost more for equipment and supplies. She next pointed out that the retirement of the *School Psychologist* last year had resulted in a savings of approximately $34,000 as they had been able to fill the highly qualified position with a new graduate. She stated that *Secretarial Salaries* had been moved from SAU to the Elementary School.

School Business Administrator Blouin reviewed each building, starting with **SAU**. She said that the $7,100 difference under *Contracted Services* was to pay for Mr. Randy Bell and his consultants as well as the Asbestos Abatement, which would leave the line item in the red. She next pointed out the *Contingency* *Account* deficit of $70,000. She explained that there was a Fire & Life Safety project planned for the summer, and that they had earmarked approximately $70,000 above and beyond the contract for unseen issues that may arise. Mr. Raab asked why this was in the school budget, and School Business Administrator Blouin replied that it was because it was a contingency fund and this was typically where it was listed. Mr. Foster asked where the funds of approximately $13,000 for the *Superintendent Salary* would be coming from, and School Business Administrator Blouin replied that it would be coming from *Health Insurance* on page 3, as all benefits were comingled. She said that they had originally come up with a $120,000 superintendent salary plus fulltime benefits, but had been able to hire a part-time Superintendent without benefits which had allowed a reallocation of funds with the salary being over-budget but the health insurance under. She said that all *Benefits* had been consolidated on page 3, in an attempt to condense the budget and make it clearer, as had been recommended by the Budget Committee. She said that *Retirement* was up slightly and *Health Insurance* was up but that these were offset by the changes in the Superintendent salary, in the changes in Psychology, in severances not paid out due to rescinded retirement, and by some Special Education services not fully utilized. Mr. Foster asked what the increase would be to the $227,836 budgeted for *Contract Renewal*. School Business Administrator Blouin replied that the new contract would be 7% higher at around $286,000. She explained that the School District had several options out but decided that the best would be a 3-year contract at 7% with a possible 2-year extension, as they were hoping to create their own consortium with another district. Mr. Raab asked if *Special Education Services* would be affected by that and School Business Administrator Blouin replied that it would not as the provider was different.

School Business Administrator Blouin pointed out that the trickle-down effect could be seen in the **Elementary** **School** in *Professional* *Salaries* at the top of page 4, with approximately $60,000 in savings under *Regular Education* and approximately $35,000 under *Special Education*. She said that *ESOL Services* were in the red due to staffing reallocation, but that savings were shown in the *Health Insurance* line. She added that they were currently increasingESOL Services due to increased demand. On page 5 she pointed out savings under *Nurse* and *Librarian* salaries, adding that the librarian was currently across all three (3) functions. She said that due to overfunding available they had also been able to hire another fulltime librarian by eliminating two (2) para-professionals. She stated that at the end of the last school year into the summer, a new control system had been installed at the Elementary School resulting in a 15% saving in electricity and fuel which would come in under budget. Under *Health Insurance* a significant savings of approximately $167,000 was pointed out due to some new teachers still being covered by their parents insurance. Mr. Smith questioned *Fuel Oil* savings, asking how much was due to a reduction in usage versus reductions in price. School Business Administrator Blouin stated that she did not yet have all of the invoices in hand, and would report back at a later date. Mr. Dionne asked if there were incentives for people who did not pick up the insurance, and School Business Administrator Blouin replied that they had created a 3-tier system as incentive. Mr. Hill asked who provided the health insurance, and School Business Administrator Blouin replied it was provided by Cigna School Care. She lastly addressed the approximately $59,000 negative under *Modular* *Unit* on page 7. She said that a new Modular was put in last year, for which she had asked the Town Council to approve impact fees as the money had not been budgeted. She explained that the money from the impact fees showed on her revenue side as it was not part of the original budget, with expenditures on the expenditure side, but that they washed each other out. Mr. Foster asked if this was due to a modular unit being condemned and had anything to do with the Kindergarten. School Business Administrator Blouin replied that two (2) modular units had been condemned and this had nothing to do with the Kindergarten.

School Business Administrator Blouin moved on to the **Junior High School** on page 8, pointing out salaries for *Guidance* and *Speech*, with *Course* *Reimbursement* in the red approximately $4,800 due to hiring newer and younger teachers. She pointed out that *Building Repair & Maintenance* on page 9 was approximately $46,000 in the red due to upcoming projects for which the funds were earmarked. These included the Asbestos Abatement for the Elevator project and the preparations of the Carpenter property for demolition. Mr. Smith questioned 20% of expenditures still being anticipated at the end of April under *Building Maintenance* on page 9. School Business Administrator Blouin replied that April had still not yet been paid and that there were four (4) months remaining. She said that the encumbrances were actually based on her estimate, which could be high. Chairman Foltz clarified that Mr. Smith was referring to the approximate $10,000 still encumbered under *Fuel Oil*.

School Business Administrator Blouin pointed out *Advisor’s Salaries* on page 11 under the **High School** as an example of what might not yet be fully realized, and added that changes were still coming for Athletics and transportation for field trips as well and the numbers would fluctuate. Mr. Hill asked specifically what the over-budgeted amount for *Additional Equipment* under *Special Education* was used for. School Business Administrator Blouin replied that it was for student equipment and supplies plus other modifications to accommodate two (2) other children. Mr. Hill pointed out the greater need for special education, and Ms. Durocher-Wentworth reminded the Committee of the increased cost to send children out-of-district and the loss of their connection to the community. School Business Administrator Blouin stressed that they tried to do everything possible to keep the children in-house, it being in the best interest of the students and the class as well. She said that the 3rd piece of the Library salary could be seen on page 12, and pointed out that *Building Repair & Maintenance* on page 13 was split between the Junior and Senior High Schools. She also pointed out the figure under *Athletic Field Trips* could change before the end of the school year. School Business Administrator Blouin stated that she was projecting a **Fund Balance** of roughly $684,000, which represented approximately 4% of her total operating budget return, which was a 96% utilization.

School Business Administrator Blouin lastly addressed the **Trust Funds**. She stated that two (2) Warrant Articles had been approved allocating $100,000 to the Repair & Maintenance Trust Fund and $50,000 into the School Technology Trust Fund which gave roughly $148,000, bringing the new fund balance to approximately $534,000.

Questions/Discussion:

Mr. Raab had a question on the *Contingency Fund*, asking if the whole amount was earmarked because they expected to pay it all. School Business Administrator Blouin replied that she did not know for sure but had gone with the worst-case scenario. Mr. Foster questioned the approximate $106,000 for *Building Repair & Maintenance* for the Junior and Senior High Schools and asked if a list of possible uses of the funds could be provided. School Business Administrator Blouin replied that the asbestos issue was a big one, plus architect fees and roof repairs. Mr. Foster asked if the roof repairs, which were previously being addressed over a certain period but were then stopped, would be part of the $106,000 amount. School Business Administrator Blouin explained that there had been a 3-year plan to do the repair/replacement of the Junior-Senior High School roof but that only the first two phases had been completed, with the 3rd year being put on hold due to the requested bond. She said that as no issues had arisen in the meantime, that had asked a roof specialist to come and give an assessment and that they were waiting on the report. She said that based on the report they would just be repairing the roof as the cost of the 3rd phase alone had amounted to approximately $55,000. She said that of the total amount earmarked there was enough money to patch current leaks, and that she was hoping to receive the full assessment of the roof repairs next week. Mr. Foster asked if there was any way to combine the maintenance for the Junior and Senior High Schools as they were both in the same building. School Business Administrator Blouin replied that roughly $64,000 of the $106,000 was just normal repair maintenance, with approximately $48,000 in architect’s fees, approximately $30,000 for the asbestos abatement, and $2,500 for the roof assessment leaving $3,100 for the Carpenter property. Ms. Durocher-Wentworth said that it would be interesting to see both high schools through one lens, and Mr. Foster reiterated that it would be easier to see maintenance under one line item. School Business Administrator Blouin explained that the split between the two (2) schools had been based on enrollment figures during the tuition phase and that it was just a percentage which changed every year. She said that she would be happy to speak to the School Board regarding the issue. Mr. Dionne asked if the elevator installations would also be coming out of both the Junior and Senior High School budgets from Contingency and Building Repairs. School Business Administrator Blouin replied that the Dual-Purpose Trust Fund had a balance of $554,000 and that the contract for Fire & Life Safety for the elevator came to $519,000, and that they would be using the contingency account with the general fund. She added that was a worst-case scenario.

Chairman Foltz said that in doing the math it looked like a savings in Benefits of approximately $382,000 or close to $400,000. School Business Administrator Blouin replied that it was slightly higher around $500,000. Chairman Foltz said that basically, between Benefits and the approximately $142,000 in Special Education, this equaled the budget surplus listed. School Business Administrator Blouin replied that this was correct and said that she wanted to make the Budget Committee aware of how the School budgeted, which was very different from the Town. She said that with salaries and benefits comprising 80% of the budget, things could change quickly and dramatically with a ripple down effect. She explained that whatever staff she had in place on October 1, 2014 was held in place and remained as her personnel going throughout the whole budget process, unless something extremely significant occurred. She pointed out that savings made in one year might not show until the next fiscal year and that her current fund balance was due to the new 2.5% Reserve Account agreed to by the School Board to provide for emergency funding. She specified that her fund balance was unknown as it was current year while the Town already knew their fund balance as it was from the prior year, which made a huge difference. Mr. Hill asked what percentage of the 25% turnover during the past year was due to retirement versus employees deciding to leave. School Business Administrator Blouin replied that they did not conduct exit interviews, but that she had heard that until Tuition was taken off the table, people were moving to other nearby districts. Mr. Hill asked if there were any plans to start exit interviews to try to understand why so many were leaving. School Business Administrator Blouin replied that the turnover had been particularly high during the past 2 years, though some was due to retirements. Mr. Smith asked if it was known what percentage of the turnover was made up of the para-professionals. School Business Administrator Blouin replied that she could provide the information as she kept a running chart of ins and outs. Mr. Raab asked if there were any instances in which turnover costs were higher. School Business Administrator Blouin said that if three (3) professionals with Masters Degrees who were very experienced were hired, they would have a deficit to replace them. She added that it also depended on the position as well, as some were highly qualified and a State critical shortage list also existed.

Mr. Foster returned to the Fund Balance and asked if the roughly 4% of the $684,000 for the new fund was after the Trust Funds had been paid out. School Business Administrator Blouin replied that the Trust Funds were paid first. She then explained that to calculate the 2.5% for the reserve fund, she took the total appropriation, subtracted all revenue and adequacy aid, and this gave a number called “net assessment”. She said that 2.5% of the net assessment number determined the amount for the next fiscal year. She further explained that 2.5% of her current net assessment equaled approximately $327,000, and said that the District could keep anything up to that number. She said that at no point during any given year could they have more than 2.5%, and that the calculation was made every single year. Any amount after the limit would go automatically to reduce taxes, so that no more than 2.5% of here net assessment would be in the reserve account. Mr. Foster asked if expenditures could be made out of the account to avoid going over the limit. School Business Administrator Blouin replied that they could not as it was only for Special Education and emergency services, and involved a process going from the School Board to the Budget Committee and then the Commissioner of Education for emergency services and School Board to the Budget Committee for Special Education. Chairman Foltz said that the Town was starting to look at this reserve as a “what if” fund. School Business Administrator Blouin said they would also be doing a Technology Trust Fund next year, and that the IT Director would be coming to discuss expenditures from the fund. Chairman Foltz suggested they were going to essentially wipe out the Dual-Purpose fund and School Business Administrator Blouin agreed.

**FY16 Budget Forecast**

School Business Administrator Blouin stated that they were getting ready to start the first quarter of FY16 and that everything looked good. She said that the Full-Day Kindergarten had passed and accommodations had been found and they were going through that process now. She said that costs for registration tied right into next year’s budget and that they would not be raising extra funds. She pointed out that the Kindergarten would have minimal impact with teachers’ pay based on 2nd track changes and benefit changes between this year and the next. Chairman Foltz said that though the Kindergarten would not have much impact in FY16, what important staffing changes were foreseen for the upcoming year. School Business Administrator Blouin replied that she also did not see this as having a large impact as a result of due diligence this year with $191,000 encompassing all benefits. She added that they may actually see a savings, and said they were trying to keep the impact for next year flat. Mr. Raab asked about the bathroom renovation, and School Business Administrator Blouin replied that they were looking at it now but that it would not affect FY16. She said that any savings with hiring would offset costs, and that it was still in the research process.

School Business Administrator Blouin stated that they would be negotiating the **New Teacher Contract** at the beginning of August/September and that it could be a possible warrant article for next year. Chairman Foltz asked what “big rocks” might be coming down the path that the Committee needed to be prepared for during the budgeting process in November. School Business Administrator Blouin said that though this did not directly affect the Teacher Contract, she had been working with Interim Finance Director Matt Angell to do a presentation regarding the *Affordable Health Care Act*, and what was called the *Cadillac Tax*. She said that it was coming and the impact would be significant, with a 40% excise tax applied to Health Insurance plans alone. She said that though the impact to the School District would be worse than that to the Town, they were working together to make sure everyone got the same message. Mr. Smith asked what the special triggers were with the Cadillac Tax. School Business Administrator Blouin said that flexible spending accounts, which could be used for Health, Dental or Vision, would be part of the Cadillac Tax, but that she was not sure how they would differentiate between the three as they were not all applicable. She said that there would be set limits and that any amount over the limit would be subject to a 40% tax. She explained that there were two different things going on here, and that one was the Affordable Care Act which would involve big penalties if minimal essential coverage was not met or if the cost exceeded 9.5% of a person’s income. Then there was the Cadillac Tax which depended on enrollment and would need to be negotiated, and that it would be coming in 2018. She stated that she felt it was likely to happen as this would be the number one source of revenue for the Affordable Care Act, though the numbers and thresholds could change.

Chairman Dave Foltz thanked School Business Administrator Blouin for coming and for her presentation.

**Budget Committee to Appoint Representative and Alternate to CIP Committee**

Chairman Foltz stated that the Budget Committee needed to look at representatives for the CIP Committee and that he had received information from Ms. Diane Hardy at the Town office. He said that typically the committee held 6 or 8 meetings from August through September, though they were considering starting in June this year. He said that Mr. Mike Lang was currently the alternate and that without Mr. Russ Simon they needed to find a replacement representative. He said that the committee tried to meet around 4 or 5 pm every other week, with increased frequency right before the budget season. He opened the floor to nominations or volunteers.

Mr. Hill felt that the meetings were held too early, and Mr. Burns asked how flexible they were about times for the meetings. Chairman Foltz replied that he would speak to Ms. Diane Hardy about possible flexibility. Mr. Lang asked if they had to decide at tonight’s meeting as he would prefer knowing for certain if the hours could be changed. Chairman Foltz explained that they were required to have the CIP in order to have impact fees, and that he would check on flexibility of start times. Mr. Lang added that he was already the alternate and preferred to remain so, as his working hours were being extended. Chairman Foltz stated that in a worst case he would add his name to the list, but that they would leave it for now.

**OTHER BUSINESS**

**Next Meeting**

Chairman Foltz said that he had tentatively scheduled the next Budget Committee meeting for Monday, June 22nd, but that as 8th grade graduations were to be held that night, the Committee would not have a quorum due to 4 or 5 absences. He suggested moving the meeting to June 29th or June 15th, and asked which worked best for everyone.

Mr. Burns made a motion to move the meeting to June 15, 2015 at 6:30 pm, and Mr. Lang seconded. All members of the Committee were in favor of the change.

**Adjournment**

Mr. Lang made a motion to adjourn the meeting and Mr. Foster seconded. The Budget Committee meeting was adjourned at 7:39 pm.

Respectfully submitted,

Patricia Denmark, Recording Secretary