

**Budget Committee  
Minutes  
November 9, 2010**

Present: R. Barnes (arrived late), T. Beard, M. Beck, R. Buckley (arrived late), J. Burk, B. Cummings, S. Heinrich, G. Markwell, M. Publicover, A. Schneider and School Board liaison alternate C. Ortega

Excused: B. Boyd and E. Coburn

Also Present: Business Administrator M. Shevenell

A. Schneider called the meeting to order at 7: 00 P.M and led those present in the Pledge of Allegiance.

**Approval of Prior Minutes**

S. Heinrich made a MOTION to approve the minutes of October 5, 2010. Second: M. Publicover. M. Publicover asked that the minutes reflect that the School District Clerk had sworn in R. Barnes. MOTION PASSED 8 – 0 – 1. (M. Beck abstaining.)

**FY 2009-2010 Budget Review**

M. Shevenell reported that the School District ended FY 09-10 with a surplus of \$3,517, 659. He said the surplus was the result of under-expending the budget (or appropriation) and receiving more revenue than anticipated. He indicated the District revenue comes from “catastrophic aid,” Medicaid reimbursements, tuition for out of district Special Education students who attend Merrimack schools and state aid. He indicated he is always conservative estimating how much revenue the District will receive because catastrophic aid and state aid are not always fully funded.

M. Shevenell said the appropriation surplus could be divided into 18 general categories and briefly reviewed each category, answering member questions as they arose.

1. Professional Salaries: M. Shevenell said the budget was built on current staffing and the surplus is because those hired to replace the staff that have left are hired at a lower pay rate. He indicated that approximately 6 – 7 % of staff leaves each year.
2. Performance Pay/Retirement incentive: M. Shevenell said that the teachers’ contract requires the District to offer an early retirement incentive for 10 teachers and include a “pay for performance” incentive for each teacher. If either is not fully utilized, a surplus results.
3. Support Staff: M. Shevenell told the Committee that this area was over expended due to substitute needs and that more may be budgeted in this area next year.
4. Benefits: M. Shevenell told the Committee that the district is given a guaranteed maximum expected percentage increase to use when budgeting for health insurance. Last year the guaranteed increase was 8.4%; however, there was actually a decrease of 1.6%, which resulted in a significant surplus of \$1,072,000.
5. Maintenance: M. Shevenell said that the surplus in this area was mainly due to the results of the Honeywell energy savings project. He said the District bids with

the town for a fixed oil contract, which helps the town, because the District uses more oil than the town. He said the District does not pre-pay for oil and the rate for this year was \$2.25 per gallon, which is less than the budgeted \$3 per gallon. He also said the District “shops” gas and electric rates through their provider, Keyspan.

6. Special Education: M. Shevenell said that the Special Education Department tries to build “in-district” programs to meet student needs, which save the district costs in “out-of-district” placements. He indicated that the District does have a Capital Reserve Fund (C.R.F.) for which the School Board is the agent to expend and which could be used should student needs cost more than what is budgeted. He said the District had an instance in the past where it had to use \$136,000 from the fund to fund services for a new student once and that there is approximately \$450,000 left in the fund.
  7. Contracted Services: The surplus in this area was due to declining enrollment in the Driver’s Education program. He said this program runs year round and that this is one area that he will be looking at during the next budget cycle in the areas of revenue and appropriation.
  8. Equipment Repairs: M. Shevenell reported that this area was under-expended because the library found it was less expensive to replace rather than repair some of its old equipment.
  9. Transportation: M. Shevenell reported that this area was over-expended because more athletic teams qualified for and attended various events than had been anticipated. He said that in past he has tried to budget “in the middle” rather than “best case scenario,” but thought this line should probably be increased.
  10. Property Insurance: M. Shevenell noted that rates are down and after the bid process, the district got a better than budgeted property insurance rate which resulted in a surplus in this area.
  11. Telephone, Printing, Postage:
  12. Supplies:  
M. Shevenell reported that areas (number 11 and 12) have minor surpluses, but that both areas were very tightly budgeted.
  13. Texts: M. Shevenell noted that additional math texts needed to be purchased due to an unexpected enrollment increase at Reeds Ferry School.
  14. Software: M. Shevenell stated that the library is purchasing more materials on line rather than hard copy.
  15. Equipment: M. Shevenell reported the computer purchase for the computer labs at the three elementary schools were completed under budget, which resulted in a surplus in this area. He further indicated that the School Board decided to return the funds as surplus rather than spend the money for other equipment.
- (R. Buckley arrived at this time.)
16. Meetings, Memberships, Records Checks: M. Shevenell noted that this area was over-expended because a lot of background-check requests were returned, needing to have the fingerprints re-done. He said the District hopes this situation has been alleviated by the hiring of a former police officer who is now doing fingerprinting along with his other job requirements. He noted that the other districts require people to go to the local police department, but due to volume,

the Merrimack School District does this in-house rather than impact the Merrimack Police Department.

17. Bonded Debt: M. Shevenell reported this area was very accurately budgeted.
18. Food Service: M. Shevenell reported that this area had a small deficit, which was covered by transfer from the Food Service Fund. He said that lunch prices were increased at beginning to this year resulting in a two-tier system: lunch at elementary schools costs \$2.25. Lunch at the middle and high schools costs \$2.50. He said there was a decline in students purchasing lunch at the high school when the increase was first implemented, but that seems to have evened out. He also said that he believed the price increase would allow Food Services to re-build the Food Service Fund. He said that Food Services had actually under-expended their budget but had not collected sufficient revenue to match what it had spent. He said that Food Service has to balance, one-way or the other. He noted they now have three less staff and that with declining enrollment, they are looking at other ways to modify the budget. M. Shevenell explained that usually some of the District's accrued interest is transferred to Food Service and noted he includes a "guesstimate" of this amount in the budget.

A. Schneider called for discussion and questions from the members:

M. Publicover requested more a detailed summary of the actual revenues so revenue could be discussed during the budgeting process

S. Heinrich asked if the district charged tuition for students from other towns attending Special Education programs in Merrimack. M. Shevenell told the Committee that the Districts charges tuition based on the cost of actual services rendered and this rate is less than the maximum rate set by the state.

M. Shevenell said the estimate of Catastrophic Aid (CAT) was the lowest possible estimate that the Department of Education would allow. He said he budgeted for \$1.3 million in CAT revenue this year and it would have been reasonable to budget \$1.7 million for CAT revenue for this year, but he has been told the District will probably only receive \$1.1 million.

M. Shevenell indicated that interest on the Food Services Fund is listed in the Food Services fund. Interest on the appropriation is listed in the General Fund. He said the District receives its appropriation from the town in equal installments. He said that any short term investing of the appropriation is the responsibility of the District Treasurer. He also said that various Capital Reserve or Trust Funds are managed and invested by the Trustees of the Trust Funds and those funds retain any interest generated.

### **Review of First Quarter FY 2009-2010**

M. Shevenell said that the current budget year seems to be going as planned. A. Schneider asked if there was anything big in the current budget year that M. Shevenell felt needed close attention. M. Shevenell said nothing stood out, and that he was in

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process of meeting with members of the administrative team to decide what budget areas needed emphasis while planning for the new budget.

A. Schneider said he wanted the Committee to have 2<sup>nd</sup> and 3rd quarter reports during and after the budget preparation cycle. He suggested that the Committee would want to know if the District was still “on track” with the current budget.

M. Publicover asked when, during the last budget year, M. Shevenell knew there was going to be a \$3.5 million surplus. M. Shevenell said that he is usually able to make an estimation of the end of the year figures in early spring.

R. Barnes arrived at this time.

M. Beck asked M. Shevenell to review budgets going back 3 – 5 years to determine if there were any trends, for example items that were consistently over or under budgeted. M. Shevenell said this is currently done by Administration during budget preparation.

S. Heinrich noted that by contract some areas must be budgeted at a certain level, even though the amount budgeted may not be fully spent; for example: pay for performance and 10 early teacher retirements. He also noted that any school surplus funds must go back to the town to reduce the school’s portion of the tax rate. The District may not keep any surplus funds.

M. Publicover asked if there had ever been discussions on spending some of the appropriation surplus. M. Shevenell said in the past the District had used some of the appropriation surplus to purchase additional technology, but that lately, the School Board has wanted to return all surplus to the taxpayers. C. Ortega concurred with this assessment. I

### **Upcoming Budget News**

A. Schneider asked M. Shevenell if there was anything about the upcoming budget proposal that he wanted to share with the Committee.

M. Shevenell said that the maximum health insurance rate would be 6.7%, but that the retirement systems rate will be going up significantly. He said that, hopefully, there would be a new teacher’s contract on the ballot. He indicated that the School Board has suggested that the proposed budget should include technology updates, particularly the computer lab at the upper elementary school and possibly at the high school, and continuation of furniture and equipment replacement. M. Shevenell said the current budget has no funds for asbestos abatement and he hopes that the funds for asbestos removal at Thorntons Ferry School removed from last year’s proposed budget will either be in the proposed budget or in a warrant article. He ended his summation by saying that the Administration is looking at the Capital Improvement Plan (C.I.P) for projects related to safety or security. For example, there is a paving project in the C.I.P. for Lyons Road, which the School District owns and is in need of repair, and the Administration wants to

renovate the entrances at Thorntons Ferry, Reeds Ferry and Masticola Upper Elementary Schools so that each has a secure vestibule entrance.

M. Beck asked about the possibility of a different retirement or health plan. M. Shevenell stated the District belongs to the NH Retirement plan and that getting out of it will be very difficult. He said there is a state committee formed to try to revamp the plan. At this time, each staff members pays 5% of annual salary and the district pays another 9%. M. Shevenell stated that should there be any changes, it would likely be an increase for new employees only.

### **Second Public Participation**

A. Schneider told the Committee that the School Board has public participation at the beginning of their meetings and at the end of their meetings. He asked the Committee if they were interested in having Public Participation at both the beginning and end of its meetings.

Discussion included the following points:

- The standard meeting agenda could be modified to allow Public Participation at the beginning and end.
- There should be a time limit (15 minutes or at discretion of the chair) on Public Participation at the beginning of the meeting to be considerate of the various department heads who have come to make budget presentations.
- Possibly people with concerns about the budget should direct their comments to the School Board and not the Committee.
- Public Participation at the end of School Board meetings is limited to comment on agenda items only.

A. Schneider suggested that the Committee institute Public Participation at the beginning and end of meetings, using the same guidelines that the School Board does and then evaluating the practice. He asked members for a vote of support. Members unanimously supported this concept.

### **Other**

#### **Right to Know Training**

A. Schneider stated for the record that he wanted to thank the School Board and Administration for offering training on the Right-to-Know law.

There was a brief discussion amongst the members regarding the benefit of this training and whether this training should have been a considered a consultation with legal counsel or posted as a regular meeting. A. Schneider stated that he was satisfied with the legality of the training not having been posted, because the district's counsel Kathy Peahl, who hosted the meeting, specifically stated that it did not constitute a meeting and thus did not need to be posted.

### **Budget Committee Email**

A. Schneider stated that one issue that had come up during the Right-to-Know training was email addresses. It was suggested that each member should have a “Merrimack School” email address.

Discussion included the following points:

- The Committee’s personal emails are not published.
- On the Committee website, there currently is a single Budget Committee email tab that sends any emails received to all members at their personal email addresses.
- If there is some type of legal action and members are using their personal email addresses, then each member’s entire email account could be subject to subpoena.
- Using a District email would still allow for the current practice of every email going to every member.
- The District’s counsel recommends that the Committee take this action.

M. Beck made a MOTION to request that each Committee member be given a School District email addresses so that emails sent to the Committee distribution list go through the School District server. Second: G. Markwell. MOTION PASSED 10 – 0 –1. (S. Heinrich opposed.)

A. Schneider told the members that he and B. Cummings would work on implementing the new emails and provide members with instructions on how they should access them.

### **School Planning & Building Committee (SPBC) Report**

S. Heinrich told the Committee that the SPBC had recently submitted a report to the School Board regarding a new combined Superintendent’s/Special Services Office. He said the report was available on both the SPBC website and the School District website and noted that the Budget Committee may see a warrant article regarding this report.

### **Meeting Calendar**

G. Markwell asked for list of upcoming meetings to be made available as soon as possible. A. Schneider said he hoped to have the full Committee meeting schedule finalized by Thanksgiving. He said that the Sub-Committee would be creating its own meeting schedule and noted that that schedule could be posted on the website if the Sub-Committee chose.

### **Capital Improvement Plan (C.I.P.)**

M. Publicover told the Committee that he had been attending School Board meetings recently and the School Board was working on the C.I.P., which included several roofing projects and the possibility of bonding some of the projects. He suggested that the Committee might benefit from receiving a copy of the Board’s approved C.I.P as well as information on the District’s current bond debt. C. Ortega offered to contact M. Shevenell to get this information for the Committee.

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**Public Participation**

School Board Chair Jody Vaillancourt commended A. Schneider for his work as Board chair.

S. Heinrich made a MOTION to adjourn. Second: R. Buckley. MOTION PASSED unanimously. A. Schneider adjourned the meeting at 8:37 PM

Respectfully submitted,

Pat Heinrich