

Budget Committee
Minutes
February 5, 2013

Present: R. Barnes, T. Beard, J. Burk, B. Cummings, C. Guagliumi, S. Heinrich, G. Krupp, M. Malzone, L. Mooney, V. Pellegrino, C. Skarda, R. Swonger and School Board liaison A. Schneider

Also present: Superintendent M. Chiafery, Assistant Superintendent Dr. M. McLaughlin, School Business Administrator M. Shevenell and various department heads

B. Cummings called the meeting to order at 7:00 PM and led those present in the Pledge of Allegiance.

Approval of Prior Minutes

R. Swonger made a MOTION to approve the minutes of January 29, 2013 with corrections.
Second: S. Heinrich. MOTION PASSED 12 – 0 – 1. (V. Pellegrino abstained.)

G. Krupp requested that the minutes reflect that the decrease in the elementary music fee for pianos is because the pianos don't need to be tuned.

A. Schneider requested that the minutes reflect the School Board vote to put funds for potential repairs of the Special Services building in the operating budget was 3 – 2, not 4 – 1 as he had stated during the January 29th meeting.

Public Participation

There was none.

Department Budget Reviews

Food Service

Department Head: Dave Dziki

Committee Liaisons: S. Heinrich, L. Mooney and V. Pellegrino

Liaison Report: S. Heinrich told the Committee that the big expense in the budget is steam trays for Thorntons Ferry and Reed Ferry schools. He stated that the department gets fresh produce and other surplus commodity items from the Department of Defense once a month but that the shelf life on some of the fresh items is only a week. He said the department is self-supporting and hopes to keep charging the same prices next year as this year.

Department Head Comments: D. Dziki stated that there are not a whole lot of increases in the budget and the budget is self-explanatory. He said the 3 big kitchens send lunches to the smaller kitchens. (High school delivers to Thorntons Ferry; middle school delivers to Reeds Ferry and the upper elementary delivers to Masticola Elementary.) He said the requested steam trays would keep the food at a constant temperature. He also noted that equipment repairs are projected to be slightly higher than the past as current equipment ages and needs to be repaired or replaced. He mentioned that last year the department's van needed a new transmission. He

noted that there is a budget for tires and other regular maintenance such as oil changes. He said that Federal regulations require more fresh fruits and vegetables as well as more whole grains and he anticipates higher costs as the result of purchasing these items and increasing serving sizes.

Discussion included the following:

- We do not have to participate in the Federal surplus commodities program, but without the foods provided by the program costs would be higher.
- Sometimes the numbers of students served free and reduced lunches drive grant opportunities.
- The van was purchased used, five years ago.

Special Services

Department Head: John Fabrizio

Committee Liaisons: R. Swonger, J. Burk, T. Beard

Liaison report: R. Swonger told the Committee that the liaison team discussed the impact of the elimination of an on-staff psychologist position and change to contracted services. He said this might result in less summer testing. He also said that \$100,000 in the budget for contracted services was an estimate. He explained the District receives state reimbursement (catastrophic aid) for any child whose educational placement results in costs over \$44,199.63. However, he noted that the District could no longer count related services in this cost figure. He said that there are more “one-on-one” (child specific) para-educators at Reeds Ferry School, partly because the autistic program is located there. He also stated that the District contracts for nursing services for students with medical needs. R. Swonger said 16.5% of Merrimack students have an Individual Education Plan (I.E.P.). He indicated that the District is working with other school districts to track costs of specialty charter schools. He also said that there were some mid-year changes in “out-of-district” (O.D.P.s) placements, due to some unexpected program closures, which has resulted in higher costs. He ended by saying that Massachusetts specialty programs do charge a higher tuition for out-of-state students than for their in-state students.

Department Head Comments: J. Fabrizio states this budget was child specific and based on federal and state laws. He said that there are 685 students projected to have an I.E.P next year. This is a slight increase in the number of I.E.P.s at the pre-school/elementary school level and a slight decrease in the number at the high school. He also said the budget projects what services each student might need, but that the number of students and the needed services will not be finalized until the end of year I.E.P. team meetings. He said that transportation costs are down as the result of the new provider being able to combine routes with other nearby school districts and he noted that para-educator salaries are decreased because some veteran staff have left and been replaced by new hires at lower salaries.

Discussion included the following:

- The state average of I.E.Ps per community is 15.4%.
- The percent of children in Merrimack with I.E.Ps and the comparison to the state average has remained stable for several years.

- The District receives State Adequacy Aid for special needs students. It is budgeted at \$1,500 per student, but the amount that the District receives could be less.

Maintenance

Department Head: Tom Tousseau

Committee Liaisons: B. Cummings, G. Krupp, M. Malzone

Liaison Report: B. Cummings told the Committee that many capital items that had been in the operating budget (for example: high school roof) were cut. He said the team also discussed the potential to change the high school from oil heat to gas heat if the Central Office, which includes bringing a gas line down the street, passes.

Department Head Comments: T. Tousseau said that the liaison team discussed the capital items that had been left in the operating budget: asbestos abatement project at Masticola Elementary, a secure entrance at the upper elementary school and new carpet for the Reeds Ferry library.

There were no committee questions.

District Wide

Department Head: Superintendent Marge Chiafery, Business Administrator Matt Shevenell and Assistant Superintendent Dr. Mark McLaughlin

Committee Liaisons: S. Heinrich, L. Mooney and V. Pellegrino

Liaison report: S. Heinrich said that the district wide budget includes all staff salaries and benefits. He said the guaranteed maximum health insurance increase for Anthem was 3.5%. He said the budget includes a “contribution holiday” for health and dental insurance as the result of a past overcharge for insurance. Repairs to the Special Services building were added to the budget in case the new Central Office warrant article does not pass. He noted that the proposed budget is actually less than the default budget.

Department Head Comments: M. Shevenell said that four items drove changes proposed in the budget: retirement, health insurance, contracted services, and transportation. He said the new transportation contracts are working out well. He indicated that retirement costs are up 22%, which means an increase of \$730,000 in the budget. He said this increase should remain fixed for both this coming year and the next. He stated that contracted services have increased due to additional computer services and software as well as the need for off-site disaster recovery backup. He also explained the reason for the health insurance holiday was the result of a court ruling that Local Government Center had overcharged, and had to return money to, various health insurance subscribers. He said there might be another health insurance holiday next year as well.

Discussion included the following:

- There was a suggestion that the proposed budget should show a percentage decrease corresponding to the percentage decrease in the student population.
- The budget as currently proposed is .69% over last year’s budget.

- The NH Retirement System (NHRS) is state-run and the District has no input into what amounts that are requested by the NHRS trustees. The School Board has shared their concerns with the town's legislative delegation. This issue will be on going.
- Recent history has shown that roofing costs have gone up 2 – 3% per year.
- Transportation
 - While many parents drive their children to school, by law the District must provide transportation for all students in grades 1 – 8 who live more than two miles from their school.
 - High school buses also transport middle school students.
 - Some buses may not appear full because they have a long route.
 - Both last year and this year, there were 38 regular buses and one late bus.
 - M. Shevenell will work on getting a percent participation rate for the Committee.
- State adequacy aid
 - This used to be called Foundation Aid.
 - The amount paid to the district varies yearly varies due to multiple factors and is not really indexed to student population.
 - Over the years, the amount paid to the District has dropped from \$10 million to \$7 million dollars.
 - Aid is not paid for any pre-school programs/students. .
- The Federal Funds account is an account that accepts from and expends funds for grants, Title I, Title II, Title, III, IDEA. It is a “break-even” account.
- All current bonded debt will be paid off by 2020.

Work Session

B. Cummings asked if members had areas in the operating budget they wanted to modify.

R. Swonger stated he was planning to propose restoring funds for part of the high school roof replacement to the operating budget. He noted that the roof in question is in the approved Capital Improvement Plan (C.I.P.) for this year and that the roof is beyond its projected lifetime. He thought it was a mistake to completely put off a project costing \$1 million dollars. He said the proposed project seems to be divided into two sections and he wasn't sure which section to propose.

Discussion included the following:

- The School Board heard from T. Tousseau that both sections are in virtually the same condition and that he was comfortable waiting one year to replace these sections.
- There is a schedule of which school roofs should be replaced when and after the high school project, there will be other roof projects proposed annually for several years.
- The plan is to move this project out one year.
- The second year of a bond is the most expensive.
- If the funds are restored, the funds might not be spent on roof replacement. It would be up to the School Board where to spend them.
- The roof collapse at Pennichuck Junior High School was not due to a leaky roof..
- Paving projects that are in C.I.P for this year were also put off.

B. Cummings said that a vote on this matter would be taken at the next meeting and asked if other Committee members had changes they wanted to propose.

R. Barnes said he wanted to propose removing the funds for the secure entrance at the upper elementary school from the operating budget. He said he preferred to see this issue in a warrant article.

Discussion included the following:

- Creating secure entrances at the schools has been part of the operating budget for several years.
- The upper elementary school is the last school that does not have a secure entrance.
- If a warrant article fails, the District cannot use funds from the operating budget for the purpose of the failed warrant article.
- As a Committee, the Budget Committee cannot propose a warrant article for a secured entrance.
- The last date for receipt of petitioned warrant articles is February 12.
- The Committee shouldn't wait to vote on this issue.

R. Barnes suggested the Committee might vote on this issue tonight. B. Cummings concurred.

R. Barnes made a MOTION to remove \$328,000 to create a secure entrance at the upper elementary school from Maintenance line 100-4600-62-8451-08 – Repair/DW. Second: M. Malzone.

R. Barnes spoke to his motion by saying he believes the voters should have the final say on this project. M. Malzone spoke to his second by saying he did not feel this was a regular operating budget item.

Discussion included the following:

- This is the only school without a secure entrance.
- Building secure entrances at each of the schools has been a part of the operating budget for several years.
- The cost of this project is about double what the other secure entrances cost because it involves relocating offices.
- If the funds are removed at the Budget Committee meeting on February 12th, there is no time for the School Board to meet and vote to put an article for a secured entrance on the warrant.
- If there were sufficient operating budget surplus this year, possibly the School Board could vote to use those monies to create the secure entrance.
- There is a distinction between appropriation surplus and revenue surplus. The District must return all revenue surpluses.
- This is a safety issue.

S. Heinrich requested a roll call vote. A. Schneider told the Committee, as the School Board liaison, he would be voting the position of the School Board. G. Krupp asked for clarification if the School Board member was required to vote the position of the School Board.

A roll call vote was held. MOTION FAILED: 5 – 8 – 0.

Voting YES: R. Barnes, J. Burk, G. Krupp, M. Malzone, L. Mooney

Voting NO: T. Beard, B. Cummings, C. Guagliumi, S. Heinrich, V. Pellegrino, C. Skarda, A. Schneider, R. Swonger

B. Cummings offered R. Swonger an opportunity to present his motion for a Committee vote. R. Swonger said he wanted to contact T. Tousseau and get more information first.

No other member had any other proposals to suggest. B. Cummings stated that members could still offer proposals for changes to the operating budget at the next meeting.

Warrant Article Review

S. Heinrich told the Committee that the order of the warrant articles as shown in the draft would be changed because the bond warrant article, by law, must be on the warrant immediately after the slate of officers.

B. Cummings told the Committee that the Committee would only be reviewing and voting on articles that involved money. M. Malzone asked if the vote on Committee recommendations would appear on the warrant. B. Cummings replied that it would.

Article to Discontinue Various Capital Reserve Funds (C.R.F.s)

G. Krupp made a MOTION to recommend the warrant article to discontinue three Capital Reserve Funds. Second: T. Beard.

S. Heinrich requested that M. Shevenell be invited to explain the two articles involving the Capital Reserve Funds.

M. Shevenell told the Committee this article dissolves three C.R.F.s whose purpose no longer exists. He said monies from these accounts (approximately \$67,000) would go into the general revenue fund, but the next warrant article appropriates the total of these funds to the District Repair C.R.F. He stated the District would still have the Special Education, Paving and Roofing C.R.Fs. He noted that the District recently used a portion of the District Repair C.R.F to repair the rest of the roof at the Special Services building and to replace the telephone system at the high school. He said that it only requires a majority vote to appropriate funds or to dissolve a C.R.F, but it requires a 3/5th majority vote to change the purpose of a C.R.F.

Discussion included:

- All District Capital Reserve and Capital Trust Funds are interest bearing and are held by the Trustees of the Trust Funds.
- There is approximately \$38,000 left in the District Repair C.R.F.
- The School Board would like to see the Repair C.R.F. kept at about \$100,000.
- It is not the intent of the School Board to use the Repair C.R.F. to fix the Special Services Building.
- If the first article passes and the second article fails, the money stays in the general fund and could be returned to the taxpayers to reduce taxes.

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- The projects, for which these C.R.F.s were established, have either been completed or no longer exist.
- In order to over-expend the budget, the District would have to have an emergency as well as get permission from the Department of Revenue and the Department of Education.

A roll call vote was held. MOTION PASSED: 13 – 0 – 0

Article to Appropriate Funds (equivalent to the amount from the Dissolved C.R.F.s) into the District Repair C.R.F.

S. Heinrich made a MOTION to recommend the article to move funds up to the amount of the dissolved C.R.F.s in to the District Repair Fund. Second: R. Barnes

A. Schneider clarified that, if the first article fails and the second article passes, it is the intention of the School Board to vote to transfer \$0 to the District Repair Fund, since the article says “an amount up to” rather than a specific amount.

M. Shevenell also clarified that if the first article fails, the School Board would vote to transfer \$0, which is the amount that would be raised when the tax rate was set.

A roll call vote was held. MOTION PASSED: 11 – 2 – 0.

Voting YES: R. Barnes, T. Beard, J. Burk, B. Cummings, C. Guagliumi, S. Heinrich, L. Mooney, V. Pellegrino, C. Skarda, A. Schneider, R. Swonger

Voting NO: G. Krupp, M. Malzone

S. Heinrich made a request for a five-minute break. Second: G. Krupp. B. Cummings called for a vote and declared a recess at 9:10 PM.

The meeting resumed at 9:20 PM.

Teacher’s Contract

S. Heinrich made a MOTION to recommend the article to approve the funds for a new teachers contract. Second: R. Swonger.

M. Shevenell told the Committee that the proposed contract was for three years and included a 2.99% pay increase in the first year, and 2.75% pay increases in the second and third years. He said the contract also included increased employee contributions for health insurance from the current 11% to 15% by the third year of the contract. He reminded the Committee that the maximum amount paid by District is based on the HMO plan. Staff taking higher tier health insurance plans will be pay more.

In addition, M. Shevenell told the Committee that the current teacher salary scale has one line/category for both teachers with a Bachelor’s degree plus 36 credits toward a Master’s degree and teachers with a Master’s degree. He said the new contract adjusts the salary scale to create a salary line/category for teachers with “Bachelor’s degrees + 36” (credits) toward a Master’s degree and a separate, higher paying category/line for teachers with Master’s degrees. M.

Shevenell said that two other changes were increased life insurance for teachers and the dissolution of “pay for performance” incentive, repurposing the funds to further District initiatives.

Discussion included the following:

- If the contract does not pass, the current contract provisions stay in force.
- The contracted retirement incentive was reduced from 10 teachers to 7 teachers.
- The amount for retirement incentive listed in the detail provided reflects the amount needed for 10 teachers.
- With this contract, comparing Merrimack to surrounding communities:
 - Salaries will be lower than most surrounding communities.
 - Benefit contribution is about in the middle.
 - Salary scale to include a “Bachelor’s + 36 (credits)” category will be the same as surrounding communities.
- One third of the current staff is at in the upper pay levels.
- There is a disproportionate number of teachers with a Bachelor’s degree and 20 years experience in the District.
- The two criteria for workforce reduction are tenure and educational attainment.
- Teacher salaries constitute 43% of the budget.
- The District is still in DINI (District In Need of Improvement) status.

G. Krupp said he was going to abstain since he had just received the information on the contract and needed more time to consider the issue.

R. Barnes said he would be abstaining because his wife was on the negotiating team.

T. Beard said he would be abstaining because his wife was a staff member. Members explained to him that his wife was not covered by the contract in question, so there was no need to abstain.

R. Swonger made a MOTION to table this article until February 12th. Second: G. Krupp

MOTION PASSED: 12 – 1 – 0. (R. Barnes opposed.)

Next Meeting

B. Cummings told the Committee that Rich Hendricks, chair of the School Planning and Building Committee (SPBC) had come to discuss the warrant article for the new Central Office. He said, in light of the hour, this article would not be discussed until the next meeting. It was suggested that members submit any questions they might have about this article to B. Cummings by Friday since the SPBC was meeting on Monday and could prepare answers.

B. Cummings said that the first order of business at the next meeting would be the teachers contract, followed by the Central Office warrant article. He indicated that, in any case, the Committee would recess at 7:25 PM, hold the Public Hearing on the Budget at 7:30 AM and then resume work on the budget and recommendations on the warrant articles after the Public Hearing.

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Public Participation

There was none.

Review of Agenda

B. Cummings told the Committee that he was hoping the Committee would be able to wrap up its work on February 12th and called for a motion to adjourn.

S. Heinrich made a MOTION to adjourn. Second: C. Guagliumi. MOTION PASSED unanimously.

B. Cummings adjourned the meeting at 10 PM.