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NOT APPROVED
TOWN OF PELHAM
BUDGET COMMITTEE - MEETING MINUTES
Thursday, November 13, 2014

CALL TO ORDER – at approximately 7:30pm

PRESENT: Mr. Daniel Guimond, Mr. David Cate, Mr. Bob Sherman, Mr. Dave Cronin,
Ms. Daryle Hillsgrove, Mr. Greg Smith, Ms. Amy Spencer, Mr. Leo Rush,
Mr. Michael Bilby, School Board Representative Meg Larson

ABSENT: Selectmen Representative Doug Viger

Also Present: School District Superintendent Amanda Lecaroz, School Business Administrator Steve Martin

PLEDGE OF ALLEGIANCE

MEETING MINUTES

November 6, 2014

MOTION: (Sherman/Cronin) To approve the November 6, 2014 meeting minutes as written.

VOTE: (8-0-2) The motion carried. Mr. Smith and Ms. Larson abstained as they were not present for the meeting being reviewed.

SCHOOL WARRANT ARTICLE REVIEW / VOTE

Superintendent Amanda Lecaroz and Business Administrator Steve Martin came forward for warrant article review/vote. *(Article language has been summarized for the purpose of meeting minutes)*

26 **Article 1** – School Operating Budget. Budget Committee has already voted on their recommended figure. No further action taken.
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29 **Article 2** – To raise and appropriate up to \$125,000 to be added to Capital Reserve Fund for educating educationally disabled children. The sum
30 to come from the June 30, 2015 unassigned fund balance available for transfer on July 1, 2015. No amount to be raised from taxation.
31

32 Mr. Cate made a motion to discuss; seconded by Mr. Sherman.
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34 Mr. Cate asked for clarification of how the article would be funded. Mr. Martin replied they were receiving a \$366,000 refund from Health Trust
35 that the Budget Committee had already accepted as unanticipated revenues. A portion of the money will be refunded to employees. He was fairly
36 confident they would have \$200,000+ remaining after employee refunds were made. Mr. Cate was in favor of placing the money into the capital
37 reserve.
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39 Ms. Spencer questioned if a capital reserve was currently in place and if so, she wanted to know how much it currently held. Mr. Martin explained
40 the capital reserve was created last year by the voters and held \$75,000. He recommended placing \$125,000 to bring the fund up to \$200,000,
41 which was the amount it could take to place one student. Ms. Spencer asked where the balance of \$366,000 would be placed if the article didn't
42 pass. Mr. Martin replied it would go back to the taxpayers to reduce taxes.
43

44 Mr. Sherman asked when employees would receive their refunds. Mr. Martin said employees would receive their refunds as soon as possible.
45 Ms. Lecaroz noted the data they initially received last year wasn't accurate and took some time to verify. She hoped this year's data would be
46 accurate to speed the process.
47

48 Ms. Larson added the difference from last year was the amount initially raised for placement in the capital reserve was raised through taxes; they
49 didn't have an agreed upon figure for unanticipated revenue as they did this year. Mr. Cate noted in the event a student was placed, the school
50 would have to raise the money and fund it somehow. Mr. Martin commented Special Education was required by law. He said they would either
51 underspend other accounts, or go over the appropriation, which required a deficit appropriation.
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MOTION: (Cate/Sherman) To recommend Article 2 - To raise and appropriate up to \$125,000
to be added to Capital Reserve Fund for educating educationally disabled children.

VOTE: (9-1-0) The motion carried. Mr. Rush voted no.
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Article 3 – To raise and appropriate up to \$25,000 to be added to the Capital Reserve Fund for school building maintenance previously established. The sum to come from the June 30, 2015 unassigned fund balance available for transfer on July 1, 2015. No amount to be raised from taxation.

Mr. Cate made a motion to discuss; seconded by Mr. Bilby.

Ms. Larson recalled they hadn't funded the capital reserve for a couple years. There is a previously established capital reserve fund containing approximately \$252,000. She noted although the high school was being renovated, the District had two other aging buildings.

Ms. Spencer asked for examples of what the money from the fund would be spent on that weren't already covered in the budget. As an example, Mr. Martin said the fund might be used for an unexpected roof collapse. Mr. Cate noted a few years ago the septic system failed unexpectedly. Mr. Martin stated it wasn't set up for general repairs.

Mr. Smith felt the fund contained a good figure and questioned why the school felt it needed additional funds. Mr. Cate recalled the septic costing upward of one million dollars. Ms. Lecaroz commented that a roof repair could completely wipe the account.

Mr. Cronin questioned if the source of the \$25,000 was the same as the previous article (Article 2 above). Mr. Martin answered yes.

Mr. Smith understood the rationale behind the capital reserve fund and felt it made sense. His question was what they were attempting to protect against and how large the fund needed to be. Mr. Martin explained another use of the fund could be if the school decided to put an addition onto Memorial School; the fund could be used toward payment. Mr. Cate felt the key language was 'no amount to be raised from taxation'. Mr. Martin pointed out that the refund from Health Trust was 'found money' and sound financial management would suggest putting an amount away. He noted a large sum would be turned back to the taxpayers.

Mr. Guimond asked how money could be withdrawn from the capital reserve. Mr. Martin said the School Board could vote to do so if there was a specific purpose that fit with the manner it was established for facilities.

Ms. Larson wanted to be clear when the School Board discussed the warrant article it was regarding maintenance. They've never had a discussion about building additions. Mr. Martin reiterated the funds could be used based on the wording for which the capital reserve was established.

Mr. Cronin questioned what the tax rate would realize if the \$25,000 were returned. Mr. Guimond believed it wouldn't equal even one penny.

Mr. Smith asked if there was any historical data such as information from the last time the school had to use money from the capital reserve. Ms. Larson replied they hadn't taken money out during the four years she was on the board. She noted they also hadn't funded the reserve in a few years. Mr. Smith understood the purpose of the reserve and felt it made sense. He commented he would be more comfortable if the school had a specific purpose associated with a specific dollar amount. Ms. Larson understood Mr. Smith's comments but at the same time spoke of the difficulties of having dollar figure estimates for 'unforeseen' emergencies. She said the School Board was looking to set money away this year since it wouldn't cost the taxpayers. Ms. Spencer discussed the article and similar to Mr. Smith would like information to back up its purpose. Mr. Guimond said the Board could choose to vote the article down and request additional information for review at reconsideration.

Mr. Cate supported the article and noted the fund was a contingency for an unexpected event. He felt the Board should support the article. Ms. Hillsgrove understood the comments but felt the Board should support the article. She said in any given year the school could be in a bad default situation where they couldn't perform maintenance that needed scheduling. Having an account could assist the school to do a project that was required. Ms. Hillsgrove believed setting money aside during a year in which taxes wouldn't be raised provided the school with the ability to respond to situations in a timely fashion.

Ms. Lecaroz addressed the question regarding back up information. She told the Board the school had conducted a survey of other districts and what they learned was those districts held an average of 1.5% of their budget in capital reserve funds. She noted 1.5% of the School's budget would compute to approximately \$454,000. With the capital reserve currently holding \$252,000, adding the requested \$25,000 would get the school closer to that 1.5% figure. Mr. Smith thanked Ms. Lecaroz. He said that was the type of 'best practice'/'typical' data he was requesting.

MOTION: (Cate/Bilby) To recommend Article 3 - To raise and appropriate up to \$25,000 to be added to the Capital Reserve Fund for school building maintenance previously established.

ROLL CALL VOTE: (9-1-0) The motion carried. Mr. Rush voted no.

Article 4 – To authorize, indefinitely until rescinded, to retain year-end unassigned general funds in an amount not to exceed, in any fiscal year, 2.5 percent of the current fiscal year's net assessment, in accordance with RSA 198:4-b,II. Such fund balance retained may only be used to reduce the tax rate or for emergencies to be approved by the Department of Education under RSA 32:11.

Mr. Cate made a motion to discuss; seconded by Ms. Spencer.

Mr. Martin provided the Board with a brief explanation. When legislature passed it, it was 'sold' predominately as emergency money; however, the primary purpose is really to help level off tax rates. The maximum that can be retained is 2.5% of the net assessment for the year (basically the MS-22, minus the adequacy grant and revenues). Based on this year's tax rate setting by the Department of Revenue Administration ('DRA'), Pelham would have been able to hold a maximum of approximately \$522,000. Mr. Martin told the Board if the article were to pass, the School Board would need to determine (when the tax rate is being set) how much they wanted to keep in the fund balance (up to the maximum of 2.5%) to help level the tax rate for the following year. Another purpose of the article was for emergency expenditures. To be used for such emergency, the following process would be required: 1) the School Board would need to declare an emergency, 2) a Budget Committee vote in the affirmative to approve expenditure (since Pelham is an SB2 town); and 3) Commissioner of the Department of Education would then need to approve the expenditure. Mr. Martin stressed that the figure changed from year to year and the money was not cumulative. The School Board needs to vote each year what percentage to retain.

Mr. Guimond's fear was that the budget would have excess built in so as to have a general fund balance at the end of the year. Mr. Martin didn't believe that would happen, especially with Budget Committee review of the budget.

Ms. Spencer asked for clarification of where the money would be held. Mr. Martin spoke of the reason the law was passed. Out of fifty states, there are forty nine that allow school districts to retain year-end funds; New Hampshire is the only one where 100% of left over dollars go back to the taxpayers. He explained when the tax rate is set DRA uses the forecasted figure, less the already appropriated dollars. The money would stay in the District's investment account and used to offset/lower the amount needing to be raised the following year. It was reiterated no more than 2.5% could be retained.

Mr. Smith asked if it was a new law. Mr. Martin believed 2015 was the third year voters could vote it in. Ms. Larson recalled the School Board having discussions last year but had other initiatives they were focusing on. Mr. Smith questioned what other towns had done. Mr. Martin said the first year not many towns passed but last year a lot of towns passed it. He understood the initial confusion, but felt once people saw the benefits more towns would adopt it.

Mr. Cate was concerned about the wording 'to authorize, indefinitely until rescinded' given the changing nature of boards. Mr. Martin replied someone would have to place a warrant on the ballot to rescind the article. He said the whole concept was similar to the Town's ability to use end of year funds toward the following year. Mr. Guimond noted the process would be contingent on the School having an unassigned fund balance to begin with.

Mr. Sherman questioned if the monies could be used to fund a labor contract. Mr. Martin answered no. Mr. Sherman asked if the balance could be used for an emergency in addition to money contained in the capital reserve fund. Mr. Martin stated there would need to be a clear emergency. Mr. Sherman asked if the balance could be used to purchase land, or used for architectural fees etc. Mr. Martin said the balance could be specified to reduce the tax impact of a warrant article; voters would still need to vote whether to raise and appropriate. Mr. Sherman questioned if the

balance could be used to reduce the interest of the high school bond. Mr. Martin replied the balance should be thought of as revenue and had nothing to do with the operating budget; everything would still need to be raised and appropriated. Mr. Guimond added they also had to be unassigned funds at the end of the year. Ms. Lecaroz pointed out that the School had to fund the articles in the order they appear on the ballot; the article being discussed is fourth.

Ms. Spencer was still unclear where money was held and how an emergency was designated. Ms. Lecaroz used \$10 as an example. She said if she was able to keep \$1 from last year, the DRA would set the tax rate based on \$9. At the end of the next year if the budget was \$10 again and there was no remaining fund balance the DRA would set the rate on the full \$10. Ms. Spencer questioned how the process was different from the current process of returning the balance to the tax payers. Ms. Lecaroz explained with the tax rate increasing and decreasing from year to year, holding the balance would offset the amount that needed to be raised, thereby holding the tax rate steady for the taxpayers. The Town uses their fund balance to help keep the tax rate level; the School is seeking to do the same.

Mr. Cronin was concerned with the article being complex, beginning with the phrase 'indefinitely until rescinded'. He asked why the voters wouldn't be asked annually. Mr. Martin replied the law was written in that manner; the specific wording was required by the DRA. He said there were other laws that didn't require annual approval, such as giving the ability to accept grants. Mr. Cronin questioned how the article could be simplified so voters understand what they're voting on. Mr. Martin replied the article language could not be simplified. Ms. Larson stated it would be the School Board's job to explain the article, which will be done in the voter's guide.

Mr. Cate 'Call to Question' to limit further debate regarding Article 4.

MOTION: Call to Question – To end discussion regarding Article 4.

ROLL CALL VOTE: (4-6-0) The motion failed. Mr. Guimond, Mr. Cate, Ms. Hillsgrove and Mr. Smith voted in the affirmative. The remainder of the Board voted in opposition.

Mr. Rush was not in favor of the wording 'indefinitely until rescinded'. He believed it was incorrect for the voters to tie up the next generation of voters who may not approve of the article.

Mr. Smith said there was a lot of discussion about possible emergencies and having funds available for building and special education contingencies. Although he didn't feel anyone was acting in an underhanded manner, he felt at some point doing so would impact the transparency of the process. He understood the desire to smooth the tax rate, but felt the existing process was simple; money not spent was returned to taxpayers.

Mr. Sherman understood that the State recommends the Town hold a 5% contingency. He noted the Nashua Aldermen wanted to hold a 10% reserve. He felt the School was in a unique position this year of having unanticipated revenues that could be set aside. Given the concern about the wording 'indefinitely', he asked if the School could come back with different wording at reconsideration if the Board turned down the proposed article.

The Board wrapped up their discussion. It was noted if the article failed the School would confirm whether the wording could be changed and possibly bring the article back for reconsideration. Ms. Spencer commented if the article failed she would like the Board to receive additional information on the purpose, intent, how the article has been used, who had/hadn't voted it in, and other helpful information for reconsideration.

MOTION: (Cate/Spencer) To recommend Article 4 - To authorize, indefinitely until rescinded, to retain year-end unassigned general funds in an amount not to exceed, in any fiscal year, 2.5 percent of the current fiscal year's net assessment, in accordance with RSA 198:4-b,II.

ROLL CALL VOTE: (2-8-0) The motion failed. Ms. Larson and Ms. Hillsgrove voted in the affirmative. The remainder of the Board voted in opposition.

Mr. Cronin asked if St. Patrick's School had submitted a warrant article for consideration. St. Patrick's submitted a warrant article to the School Board. The School Board did not bring it forward. It was assumed that a petition article will be submitted. Mr. Guimond explained because there were a number of Pelham residents that attended St. Patrick's School they typically submit a warrant article requesting approximately \$32,000 for a school nurse and testing supplies. If an article is not brought forward by the School Board, a petition has usually submitted.

ADJOURNMENT

MOTION: (Sherman/Hillsgrove) To adjourn the meeting.

VOTE: (10-0-0) The motion carried.

The meeting was adjourned at approximately 8:43pm.

Respectfully submitted,
Charity A. Landry
Recording Secretary