

TOWN OF HOPKINTON
Budget Committee Meeting
Wednesday, November 14, 2018
Approved, with amendment

BUDGET COMMITTEE MEMBERS IN ATTENDANCE

Janet Krzyzaniak, Ken Traum, Candace Youngman, Debbie Norris, Don Houston, Jim O'Brien, Rich Houston, Mark Zankel, and Jonathan Cohen.

BUDGET COMMITTEE MEMBER ABSENT

Ginni Haines

PUBLIC PRESENT

Diane LaChance

CALL TO ORDER

Janet Krzyzaniak called the Budget Committee Meeting to order at 5:30 pm, at the Hopkinton Town Hall. Mark Zankel led the Pledge of Allegiance.

APPROVAL OF OCTOBER 10, 2018, DRAFT MINUTES

Ken Traum motioned to approve the October 10, 2018, Meeting Minutes. Jonathan Cohen seconded the motion. Mrs. Krzyzaniak asked for any errors, corrections, or changes. There being no changes, a vote was taken and approved by all Board Members, to approve the minutes of the October 10, 2018, Budget Committee Meeting.

FINANCIALS - SCHOOL

Jim O'Brien explained that he would present the school's financials in three parts.

- Part 1 – Memo from Michelle Clark, dated October 15, 2018, September 2018 Financial Statement
 - General Fund related:
 - Last year at this time, they received three months of town revenue versus four months this year.
 - There are some expenses related to students that moved in district late fall/early winter that were not part of the 2018-2019 budget.
 - The actual health insurance rate came in at the Guaranteed Maximum Rate, where last year they had a lower rate than the GMR.
 - Food Serve Related:
 - This year they have higher sales due to an early start date.
 - This year they have higher expenses currently, of which some has to do with the earlier start date.
 - Based on this information, they are looking at just over \$308,000, as the end of year fund balance.

FINANCIALS – SCHOOL continued

Mr. Traum asked why the expenses related to students moving in were not part of the budget. Mr. O'Brien explained that this expense was mainly due to Special Ed students that have moved in and the unanticipated costs associated with their education.

- Part 2 – NESDEC Projected Enrollment Trends for SAU #66
 - This is a planning tool with projected trends through 2023. Mr. O'Brien wanted this information to be shared, as we look forward to the anticipated Facility Project.

Candace Youngman asked if any other sources were used to qualify the numbers? Mr. O'Brien explained that NESDEC has been used by school districts all over the state, and that these projections are used for planning purposes. **Mrs. Youngman suggested using the State Department of Education information.** Mr. O'Brien explained that the NESDEC trends numbers have changed for Hopkinton, from the last report presented, due to the housing activity taking place. **Mr. Zankel shared his surprise that this NESDEC report shows a 50% increase in the student body in the next 10 years.**

- Part 3 – Facility Project Update – The Cost of the Proposals
 - The 2017 project as proposed: \$30,391,418
 - The 2018 Project Projected costs for 2020
 - Deferred Maintenance \$ 6,594,600
 - Safety, Security, & Accessibility 2,921,300
 - 6th Grade to MHS 4,851,900
 - Add MHS Science Lab Renovation 1,959,400
 - Add MHS Cafeteria Addition/Renovation 3,988,300
 - Add MHS Entrance Addition 8,207,500
 - Total 2018 Project Projected costs for 2020 \$28,523,000

Mr. O'Brien explained that when the project was proposed last year, there were changes to all three schools and that the concept of the proposal being brought forward this time would make changes mostly to the Middle High School. He explained that these numbers (2018 figures above) are not a proposal being put forward by the School Board, or the Steering Committee. These are what the School Board has broken into more "bite sized" chunks, and they are having conversations at their School Board Meetings to help inform the community about each of these components. From there the School Board will put together a proposal to bring to the Budget Committee and then to Town vote. Mr. O'Brien explained:

- There are floor plans, more details to the expenses, and the Harriman Reports, available on the School District web site.
- The student population at Harold Martin has grown and the classroom space isn't keeping up. The idea is to move the current 3rd grade class to Maple Street, then move 6th grade to MHS, creating the need to build additional classroom and cafeteria space at the MHS.
- The Deferred Maintenance costs haven't changed. He explained that this figure is the same as in the 2017 proposal and includes the deferred maintenance for all three schools.
- The Safety, Security, and Accessibility is mostly for the MHS. The amount requested on this line is in addition to the 80/20 split. That amount has already been expended on items reported last month.

FINANCIALS – SCHOOL continued

Debbie Norris asked if, when the School Board is looking at these individual groupings, what are they looking for? What are they hoping to do by making these changes? What educational value is being received? What is the lifespan of the investment? What does this buy us and for how long? Candace Youngman is concerned that this projection would only be for about 10 years out, according to the information presented by the Superintendent at the last School Board meeting.

Mr. O'Brien also shared his concern about these questions, explaining that the School Board hasn't had that in-depth level of discussion. His feeling is that they will need to consider if they are putting this plan forward because they want to change the building layout or, are they putting it forward because there is an educational plan they are trying to strive towards.

Mr. O'Brien went on to explain more of the figures:

- The Science Labs at the MHS haven't been upgraded for at least 20 years. This project would renovate the labs to a more modern standard. There would be two new chemistry labs, one lab that could be used for science as well as some other science-based educational space.
- The Cafeteria Space would be enlarged to accommodate the larger student body, if the 6th grade is moved over.
- The Middle High School Entrance Addition is having the main entrance moved to the rear of the school, by the gym entrance. This would be a multi-floor entrance, you would enter the school at the level of the auditorium. The hallways and elevator would all be disability accessible from this entry level. The elevator would be centrally located and not open into any classroom space, as it currently does. This plan also moves some of the office space to the new construction, so that there would be a secure entry point as you enter the building. Mr. O'Brien explained the other entrance would still be there for school drop off. There would be some changes to the design of it from a security standpoint. That new addition would also have access to the additional classroom space needed for the 6th grade.

Mr. O'Brien explained that the School Board still has a lot of work to do to come up with a proposal to put forward. He explained, regarding deferred maintenance, that Steve Chamberlin is working on his budget proposal; he's been going through the deferred maintenance list for each facility to see what can fit into a Capital Improvement Plan rather than a bonding plan.

Don Houston asked if this meant that the \$6,594,600 might not be presented as a bond item, that it might be spread out over several years under a capital approach? Mr. O'Brien explained that he feels part of it might be able to go into a CIP, but that it might be hard to spread that full amount over several years and be able to keep up with the maintenance that needs to be done now.

Mr. Houston asked, at what point will there be a priority list from the Superintendent and School Board, so that we can begin to see the tiering of the priorities of where the funds will be spent? What's the total cost to just move the 6th grade? Mr. O'Brien explained that there are two more upcoming meetings with the School Board to discuss the crowding issues and the safety and security. Mr. Chamberlin will be presenting the Expense Budget to the School Board on November 29, 2018. On December 6, 2018, the School Board Meeting will focus on the Facility Project, as well as discussion on the Expenses and Revenues.

Rich Houston asked if there is any proposed additional classroom space at Harold Martin or Maple Street? He is concerned that the projected numbers show figures that would indicate a need to

FINANCIALS – SCHOOL continued

build on at Harold Martin in the future. He would like the School Board to consider if adding some classroom space at Harold Martin now would be a less expensive alternative than adding to the high school for the 6th grade. Mr. O'Brien explained that this would be a question for the construction engineers.

Ken Traum asked what accessibility issues would there be if the addition is not added? Mr. O'Brien explained that the access to the elevators would remain the same if the addition is not added. The new entrance allows for improved security and accessibility.

Mark Zankel asked when it would be possible for the Budget Committee to have a cross reference, to see what's included in the monetary figure amounts for each of the proposed project items. Mr. O'Brien explained that these details are available in spreadsheets on the School District Web Site, under Facility Project.

Mr. Zankel asked what the process is between the School Board and the Budget Committee? He expressed that the Budget Committee has been consistent with their feedback on having the School Board prioritize the investments and present multiple scenarios. He is concerned that, like last year, there will only be one option, and they will want a yes or no answer. He asked Mr. O'Brien if he felt this message was getting through to the School Board. Mr. O'Brien said he would make sure that this message is brought forward to the School Board.

PUBLIC COMMENT

Diane LaChance expressed frustration with the lack of knowledge about the Facility Project details by School Board Members. She has heard from community members that they wanted to be involved with the building committee but there is no information on when or where they are meeting. She said that she had sent Steve Chamberlin an email that she would like to see the meeting minutes for the building committee meetings posted properly. She said that Mr. Chamberlin replied that there had been two meetings and he didn't know if the minutes had been posted. She said that she now has the meeting minutes, and that they consist of one page and they are very incomplete. It lists the committee members, with them crossed out if they didn't attend, and there is no information on the project in these minutes. She finds this very disturbing – how is the Budget Committee going to come up with recommendations if there is no detail to these meetings? She has concerns about how this Project has been developed, that it is has been developed in private without community input. With a Project this size, there should be a lot more discussion and meetings, with the community involved. She explained that she'd never pay somebody for a project if it was prepared like this.

Mr. O'Brien expressed that he shares her frustration.

FINANCIALS - TOWN

Ken Traum presented the Town's Revenue and Expense Summaries through October 31, 2018, explaining that they are ten months through their fiscal year.

- Revenues – They are probably getting a little more revenue than what was budgeted. Motor Vehicle Permits, at the end of the year, may be \$40,000 higher than budgeted. The other items, like Room & Meals Tax, the State pays at the end of the year, so it's a timing issue. Transfer Station Income also is a timing issue.

FINANCIALS – TOWN continued

- Expenses – They are running a couple of percent below what was budgeted. The Cemetery Line looks out of line, but the cemetery trustees will be reimbursing the town out of its trust funds at the end of the year, and it should come in at 100%. Mr. Traum wanted to highlight, because we have no control over it, we've entered winter a lot earlier than normal. He doesn't know what that will do to the budget with extra overtime, salting, and sanding. But, at this point, they are projecting that they will come in \$100,000 to the good, in terms of expenses compared to budget, but that's subject to change.

Candace Youngman asked if the culvert projects have been completed; if they are, what's next?

Mr. Traum explained that another culvert on Briar Hill will be done next year. ***She asked if paving would be looked at next.*** Mr. Traum said not the whole section of Briar Hill, just the culvert area would be done. Mr. Traum explained that Dan Blanchette did not want to lay out a specific order of work to be done or projects being planned or budget for.

Debbie Norris asked for an explanation of line 4135 IT Services. Mr. Traum explained that some contracts were hired and budgeted and it may relate to the move of the clerk's office. This was not budgeted for, and it is not a large amount of money. These expenses are coming out of other accounts that are within the Clerk's Office Budget or the Town Hall Budget.

Candace Youngman commented that the Town has been good about presenting their budget and keeping it lean. She is concerned that there is a lot of deferred maintenance work needed to be done in the Town, and over time must be addressed. This Board needs to be aware that, even though the Select Board is doing their job in keeping the expenses down, the rate down, and doing things slowly, there is going to be an increased need for this work to be done and money will be needed to get these projects done. Mr. Traum explained that the Town does have Capital Reserves and they are broken down, very specifically, for different items. These details will be presented when they present their budget. It looks at all the different needs and when we can finance them. They try to keep track and keep ahead of the needs.

Ken Traum explained that the Select Board is working with their Department Heads on developing their Town Budget. Right now, they are looking at a 12% increase in their portion of the Tax Rate. He explained, obviously that is unacceptable, and they are looking at how they can reduce it to be somewhere in the 3% range to bring to the Budget Committee. Their concern is the fund balance, and how much can be used to reduce the tax rate for the next year. Last year they applied \$330,000, which was almost all the fund balance reserve that they had. Because they budgeted a little bit tighter and revenue is just slightly over budget, they feel that at this point they have about \$135,000 they can use from the fund balance to offset taxes. There is nearly a \$200,000 gap that they must fill somehow.

Mrs. Youngman agrees that they've done a good job planning, projecting, and there are Capital Reserve Funds in place, that's all important. This is how a budget should be planned. Mr. Traum explained that there is a Town Facilities Maintenance Trust that includes the Police Department driveway, the Transfer Station bailing room roof, the Police Station roof, the Town Hall second floor ceiling, the Town Hall outside paint, the Town Hall furnace, etc. They are trying to put money aside, recognizing that these expenses are going to occur.

FINANCIALS – TOWN continued

Don Houston explained that at the Capital Improvement Committee meetings, he has expressed his concern that they are not putting enough money aside for highways. There is \$7M-\$10M worth of work to be done. He explained that the \$2M bond has been spent on Briar Hill and that doesn't even include paving. He feels that the culverts are probably bankrupting every town around. They used to cost \$10-\$12,000, and now they cost \$100,000 with all the State requirements that need to be met. Every year, there needs to be at least \$150,000 set aside for just the highways.

Mr. Traum explained that they are under the direction to keep the percentage increase in the tax rate in the 3-4% range. If they were to put all that money into shimming and paving, they can't do merit increases or anything else. What the Select Board had set as a target, last year, was to increase the budget for shimming and paving to 5% a year. Mr. Traum agrees this is not enough, but at least now Dan Blanchette has an idea what the plan would be; there are about 100 miles of road that are maintained in our Town.

FINANCIALS - HOPKINTON VILLAGE PRECINCT

Candace Youngman has received no data yet. They have a meeting on November 15, 2018.

FINANCIALS - CONTOOCOOK VILLAGE PRECINCT

Don Houston presented the Profit and Loss Budget versus Actual Budget through October 2018. He explained they are \$108,425.90 less collected than they will have at the end of the year with the warrants. Their expenses are \$75,000 less than what was budgeted for. If they spend all the money to eat up the \$75,000, they would still have \$25,000 extra left.

Mr. Traum asked which street lights are covered by the precinct? Mr. Houston explained that all the lights on the street in Contoocook were covered. If they are out, the person needs to call the public service company, there is a specific number to call, or they can direct the call to the precinct and public service will come out and fix it. He explained that this expense to the precinct is \$20,000 a year.

PROGRAMMATIC BUDGET

Janet Krzyzaniak expressed her disappointment with lack of response from the School Board. Months ago, the School Board was given a starting point with what the Budget Committee wanted to have added for more information and there still doesn't seem to be a final draft that can be used. If we can't understand the budget, how can we support it? Mr. O'Brien explained that the last version of the draft was close to what the Budget Committee wanted, but that he had nothing to present.

Don Houston explained that with the current Budget presented, it's difficult to understand how and where a budget cut or an expansion should take place. The need to know the cost per student per class is a figure that should be included to support the budget. He explained that is not micromanaging. If the Budget Committee doesn't understand the whole concept, they can't make an informed decision. The request for detailed information from the School Board was made months ago and it still hasn't been received.

PROGRAMMATIC BUDGET continued

Mark Zankel is hopeful that by our next meeting we'll have a revised edition. From there the Budget Committee can come to a consensus on how much more detail is needed. Mrs. Krzyzaniak suggested that if they present this at our December meeting and changes are needed, it won't come back until January and by then it will be too late.

Jonathan Cohen asked Mr. O'Brien if he had confidence, based on what's being said at the School Board Meetings, that there is going to be another iteration? Mr. O'Brien said yes, this was produced with feedback and that it is the intention of the School Board to keep working on and provide this. Mr. Cohen shared his concern regarding the programmatic budget in that we not micromanage the School Board in terms of education.

Mrs. Youngman explained that a Programmatic Budget can give you details that you need to do a budget correctly and it gives you the ability, in this case education, of what we're giving to the children. You must be able to have details in order to do a proper assessment for all grade levels, and without details you can't do proper assessments on where the dollars are going, how they are being spent, and are they being spent well.

A Programmatic Budget not only helps you with assessments and performance, it also helps you with projections. How are we going to do some of this projecting of these Projects listed here in the millions of dollars, without a Programmatic Budget to give you the details that you need to see where we are going and how we are going to get there? It also gives you the ability to look at that budget and see where there is going to be things that can be eliminated.

This School Operating Budget, that we don't know anything about yet because it hasn't been introduced, has gotten to a level where it's quite high. Without a Programmatic Budget how will anybody in the community, not just this Board, be able to look at it and decide that there are some things in there that may be when the School Board gets up there and says, if we cut programming, we are going to harm the educational value of the students. The only way we can know if this is true is if we have a Programmatic Budget to see all the details.

The Programmatic Budget is not meant for micromanaging, it's meant for clarity. It's meant for being able to have everybody in the community to be able to see into where their tax dollars are going, and it's a way for the School Board to properly assess their programs. Without assessments, you are not improving your quality of education, you're just stagnating. You may have a program that you think is doing well but if you don't have a way to assess the value as to what dollars are being put into that program, if it's not growing or improving, you have a way to do something about it. You must have dollars equated to achievement and progression and positive growth.

She feels that nobody in the community can read the current budget and it's not fair to the other people in the community to not be able to understand it. You're asking them to pay over 75% of their tax dollars to the school, the school owes it to the community to do a better job of presenting their budget.

Mrs. Youngman explained that knowing the amount spent on benefits is helpful, when renewing contracts and going through negotiations. Negotiating health benefits are information the community should be aware of. In the past, budgets showed the contract negotiation totals, but the details were not shared. This information should be available so that the public can ask questions and have input.

The School Board are not educators, they are people just like we are, serving on a board. The only educator on the School Board is the Superintendent.

PROGRAMMATIC BUDGET continued

The Budget Committee's job is to help establish budgets that the community can withstand. It's important to have more information than less to be able to do that, from the School, Town, and Precincts.

Rich Houston sees a well-designed Programmatic Budget as a way for new School Board Members to understand the budget quicker and be able to have some historical knowledge carried through as our administrators change, as our business managers change, and as our school board members change. Everybody would have this detailed budget that they can compare year to year. In addition, community members would be able to understand this budget as well.

The Budget Committee agreed on their frustration. Jim O'Brien will communicate this information to the School Board. It is his hope that they will improve on the document and make the adjustments.

PERCENTAGE OF DECREASE, 0, OR INCREASE OF TOWN AND SCHOOL BUDGETS

Janet Krzyzaniak asked if the Budget Committee came up with a decision on a percentage for the School and Town Budgets? She is concerned that we are facing a large bond for the Facilities Project in addition to the anticipated increases in the Town and School Operating Budgets. The September 2018 minutes showed that discussion took place with a suggested 2%-4% tax rate impact of the Operating Budgets for Town and School each, not including the Facilities Project; there was not a consensus at that time and there was no vote.

Mrs. Youngman expressed that if she was on the School Board and if she wanted to be positive about promoting some of the Facility Project items, why would she want to increase her Operating Budget at the same time? She explained that she went to the School Board Meeting held in the High School Lab and she did go on the tour. She was very disappointed in the fact that the School Board has done such little maintenance through all the years. She heard the Superintendent say that in the twenty years of the last bond that was just paid off, there has been no renovating of that science lab. Where were the Capital Reserves for the School Board projects, and for deferred maintenance for things that had to be completed that were falling apart? Just those two pieces of the Facility Project will increase the tax rate by almost \$1.25, and that's two parts out of the six. We need to be very watchful of where we are going with the tax rate.

Jim O'Brien suggested that the Town and School should be present their budgets to the Budget Committee, from there the Budget Committee can decide where to go with them. Mr. Zankel explained that both the School and the Town have heard the conversation from the Budget Committee and must have the sense that many, if not all, of the members of the Budget Committee are concerned about the cumulative impact of the Operating Budgets and the Facilities Project and he would hope that the Town and the School Board will have that in mind as they are contemplating their Operating Budgets. He says the path to yes is going to be accentuated if there is a \$28M bond in play too. That's the message that should be conveyed. Mrs. Youngman reminded the Budget Committee that there is also the negotiation of the support staff contract to be included in this decision.

PERCENTAGE OF DECREASE, 0, OR INCREASE OF TOWN AND SCHOOL BUDGETS

continued

Debbie Norris asked if it is just our school district, or is it a Federal thing, that people can not have input or participate in negotiations; to have a say one way or another? Mr. O'Brien said that he does not know the answer to that question. He explained that the Right-to-Know Law is a State Statute that provides governing boards the right and the ability to go into non-public sessions with contract negotiations. Boards choose to do that by voting to go into non-public session and have their meetings that way, it's the choice of the School Board. He explained that there may be other restrictions that he's not aware of.

Mrs. Norris voiced her fear that educationally, we will be sacrificing because of taxes and the problems that the State is facing with how we manage our taxes.

PUBLIC COMMENT

Diane LaChance continues to be concerned about the idea of talking about teachers' salaries and benefits, 75% of the School Budget is salaries and benefits. If you want to talk about how to save money, you need to be more efficient and find ways to keep the tax rate at something the tax payers can afford, you need to talk about it. She doesn't understand the fear. For many years, the Town Reports had the teacher's salaries listed by name. She explained that the RSA that governs the Budget Committee makes it clear that when the budget number goes on the warrant article, it is not the School's Budget and it's not the Town's Budget, it is the Budget Committee's budget. They may prepare all the numbers, but do you have the details to answer the questions from the community.

BOARD RESPONSES TO THE PUBLIC COMMENTS

Mr. Zankel commented that in the past, although we haven't talked about or looked at individual teacher's salaries, we have heard about how Hopkinton's teacher compensation compares with other districts our size. He believes this is worth bringing to the conversation, so that we can benchmark how we pay teachers compared with other school districts that we may be competing for teachers with.

Don Houston suggested looking at the Department of Education website to find the information, it is a year old. Historically, we had more people at the master's degree, maxed out level in steps percentage wise than any other school. Mr. O'Brien explained that there are a lot of teachers who have a lot of years in our school system. Mr. Houston explained that a lot of our teachers go to retirement age in our schools because of the great wages and benefits we offer.

Mrs. Youngman asked Mr. O'Brien if, because we have a lot of teachers that have been here a long time, is there a chart where they are watching how many teachers are going into retirement and what the scale is so that there could be a way to not replace all of them, if they are not needed to be replaced, to save and economize. Mr. O'Brien explained that he's not sure if the retiring teachers are in a place where you wouldn't want to replace the teacher. When you replace teachers who have longevity, you try to replace them with a teacher that's already there. The administration does know who is going to retire and when. They need to hire the best possible applicant that you can.

BOARD RESPONSES TO THE PUBLIC COMMENTS continued

Mrs. Norris expressed the need for our budget process to be able to work together. We all want the same thing, but we also want our taxes to be lower. With more information we can all work better together.

ANY OTHER BUSINESS TO COME BEFORE THE BOARD

There was no other business to come before the Board.

UPCOMING BUDGET COMMITTEE MEETINGS

December 5, 2018

December 12, 2018

MOTION TO ADJOURN

Don motioned to adjourn at 7:45 pm. Ken seconded the motion. There was no further discussion. A vote was taken, and all Committee Members approved.

Respectfully submitted,
Tammy Clay