

**MINUTES OF MEETING
MUNICIPAL BUDGET COMMITTEE
February 3, 2010**

A meeting of the Municipal Budget Committee was called to order at 6:30 PM in the Meeting Room at the Conway Town Hall with the following members present: Chairman Pro Tem Dan Bacon, Bob Drinkhall, Doug Swett, Pat Libby, David Jensen, John Edgerton (arrived at 6:43 PM), Bill Masters, David Sordi, Shirley Renahan, Raymond Shakir and Sheryl Kovalik. Members excused from meeting: Jim LeFebvre, Karen Umberger and Bill Aughton. Also present: Dr. Carl Nelson; Jim Hill, SAU 9 Director of Administrative Services; and Dick Klement, School Board member;.

Chairman Bacon asked Shirley Renahan to lead the members in the Pledge of Allegiance.

APPROVAL OF MINUTES

Bob Drinkhall moved, seconded by Sheryl Kovalik, to consider and accept the Minutes of January 20, 2010, as amended. In favor: 10; Opposed: 0; Abstain: 0.

Pat Libby stated that on page 14, line 2, "since" should be changed to "seen".

SCHOOL REVIEW

Dr. Nelson stated there were a couple of pieces of information supplied; one is a Memo from Bob (Gadomski) to Dr. Nelson. There were some questions asked on the 26th meeting and we indicated that we were in the process of getting the information that had to do with the alternative certification areas and that has been provided. Currently have 20 out of 180 teachers are seeking alternative certification; the one most frequently used is Alternative 4 and on the back is a description of what those alternatives involve. Second part of that is the cost and there is a splitting of the cost; they obviously pay for their certification Certificate, their temporary license; they do have a consultant that gets the people through the Alternative 4 or 5 selection and it works rather well. If you are in an Alt 4 situation, you have a plan that you may spend up to 2 or 3 years to complete and there are certain things that you have to do for the Department of Education Certification and the consultant works them through that.

Dr. Nelson further stated the second item is a Memorandum from Pam Stimpson to Dr. Nelson in reference to some of the questions she was not able to answer when she was here. This would be the number of 18 to 21 year olds in Special Education, we've broken it up by town; there was some inquiries about definition of disabilities which comes directly from the Department of Ed; and there was questions about qualified examiners and those are listed as well. One more piece of information provided that was not asked for but it does answer a lot of other questions and that's The Family Guide to Special Education in New Hampshire and that would

probably pick up any of the other pieces you might have about Special Education.

Sheryl Kovalik stated we have had several references to the completion of Debt Reduction in the District and they wanted to see that number against some of the increases that we are facing and they want to understand why it disappeared. Dr. Nelson stated he gave it to the group the first time we met; look at health insurance, that's a large portion of it at \$685,000.00, Retirement \$77,000.00, Special Education cost increases of \$310,000.00, and then one that is on both sides, an expenditure and Revenue, would be Grants, we have about \$100,000.00 more in Grants than we had previously; if you add all that up, you are going to come pretty close to the retirement of that bond.

FACILITIES

Jim Hill, Director of Administrative Services at SAU 9, oversees maintenance in Conway, Jackson and Bartlett and Dick Klement, Chair of the Facilities Committee. In the past, they've had generally 3 or 4 Warrant Article type items, whether security or air quality, roofs, ventilation/air quality, they've always had 3 or 4 Warrant Articles and with the economy the way it has been, both last year and this year, they really haven't asked for anything above what they've asked for in previous Operating Budgets, there is nothing special. The exception to that is that last year the request for the General Maintenance Trust Fund was \$100,000.00; this year that request has been bumped up to \$130,000.00 and the reason for that increase is that they currently have a Rotating Fund for the Elementary Schools, many members came with Jim, Andy Grigel and Dick (Klement) on a tour of the facilities. Every third year an Elementary School gets \$60,000.00 and they have found that it works terrific, probably one of the best programs they have in the Maintenance Department. It just isn't keeping up, does not buy as much as it used to and 20+ years ago these buildings were renovated and/or constructed. They are now hitting some critical points in terms of items that have reached their useful life; rather than increase the Operating Budget, the request is to increase that Maintenance Trust Fund by an additional \$30,000.00. The first color copy is the "School of Choice" for the summer of 2010 is Pine Tree. All the areas shaded in yellow are areas that are carpeted; if they don't get the additional funds in the Maintenance Trust Fund there will be \$60,000.00 solely in the Rotating Fund of which \$10,000.00 needs to be spent on fuel tank upgrades that are mandatory which will essentially leave about \$50,000.00 for carpeting. The cost to do all of this, which he did not think you could realistically get done in one summer with the manpower and basically what it takes to dump all of the rooms, do all the work that needs to be done, do all the floor refinishing after it's installed and put the rooms back together, probably you would get about one-half of the school done.

Chairman Bacon asked if Jim was talking about using in-house personnel to do the carpets and Jim stated no, that would be a contract service; it would be in-house staff doing all of the moving of the furniture; you would have a contractor come in and strip the floor and smooth out the floors and usually that same contractor puts the tile down. There is at least two summers worth of work at Pine Tree.

Ray Shakir stated what you are proposing is all of the yellow area is going to be carpeting removed and tile replaced. Jim stated that was correct. Ray asked if there had been any thought of replacing the carpeting with epoxy paint. Jim stated Ray had brought that up when they walked through the building and the more Jim thought about it, they have tile in the current Middle School that is at least 1953 vintage, maybe 1923 vintage, so you've got at least 60 years of life out of that initial investment. Jim was not sure with chairs, tables and those types of things, if you can get the wear out of the epoxy paint that you would out of tile. When they were doing the renovations at the Middle School, they had large sections of the building where they had taken up the floor tile or carpeting and left it with the concrete and granted it wasn't painted, it wasn't colored, it wasn't anything and it had a very prison type of feel to it; it was not attractive. Ray asked for an approximate price for tile and Jim stated about \$5.50 per square foot for removal and replacement. Ray stated replacement is probably about two-thirds of that price; so you're talking about \$3.00 per square foot; the epoxy paint, not talking about regular epoxy paint, talking about commercial garage paint that you would use for the Utility Building that we want to get going, would be about \$.75 to \$1.00 per square foot and that stuff wears incredibly and it is also in and out in a day. Ray asked that Jim do more investigating on that; maybe not all of the areas would be appropriate for the epoxy paint but just looking at some of the spaces, like the Cafeteria, maybe you might want to just check it out. Ray did look into that paint and the wear factor is incredible, the new stuff is unbelievable and for \$1.00 per square foot you can't go wrong; provided of course that the floor integrity is good.

Bob Drinkhall stated one of the problems brought up is moldy carpet; this doesn't discern just problem carpet versus moldy carpet. Jim stated it is difficult to quantify; some rooms it was a carpet on top of a carpet and in other areas it may have been food stuff fell in different spots. Jim thought that was a good point; the carpeting in these areas are 20+ years old so it is not just a mold issue that they are having; these carpets have met their life cycle plus. When you are talking about 300 sets of feet walking through on a daily basis, particularly in the hallways, they are due to be done regardless of the mold. Bob stated you can't do it all in a year, is 75% a mold problem because that's more serious than just worn carpet. Jim stated we've done the rooms with the greatest problem; these are the ones that have had the spot mold problem, not the carpet on top of carpet mold type.

David Jensen stated 4 years ago he renovated his 25,000 square foot building and about one-third brand new cement floor, brand new commercial grade paint, lasted about 6 months. Ray Shakir stated David was not talking about the same paint.

Chairman Bacon stated he did talk to Chick's right after they did the walk through because he was concerned about the carpets and some of the issues of the old carpets and he spoke to Sal. Sal stated for the commercial tiles that the School is looking to install they can do, though it is not set in stone, would be \$2.02 installed with the material, not counting the surfacing; they would need to see what the

base was because the floor has to be made nice and clean. Sal was pretty certain and stated that Jim should probably call and talk with him. Jim stated in the past with the Rotating Fund, they have gone in and done maybe 4 rooms at a time; new windows, repaint the walls, suspended ceiling if they didn't have it before. They are looking solely at spending that money on carpeting; this will definitely be a bid situation.

Sheryl Kovalik stated her experience with Jim is he is pretty tight and he usually goes out to bid on things that they can get bids on and even in a Warrant Article situation he comes in well under what it is that's been estimated. The benefit of this arrangement of using the Maintenance Trust and the Rotating Fund is that whatever they save is there for something versus a Warrant for carpeting which would then result in perhaps having raised more money than needed for a singular job.

Jim stated the next pages are basically the other two Elementary Schools and the big one is the cross hatched and/or pink areas are those areas that when they did the renovation to the Schools in 1990 instead of going and tearing up the asbestos tile and biting the bullet and taking it head on, they just carpeted over the asbestos tile so now they can't just rip up the carpeting because the tile comes with it and there is some debate on how much of a release you get; when you look at those cross hatched areas the ones that contain asbestos basically you almost triple the cost of what it costs and could have paid pennies on the dollar doing it as part of the renovation and probably now paying 10 times as much 20 years later.

Jim stated at the High School those tiles are 1950's or 1923 and those are perfectly fine and as long as they don't strip it down, and they have to have a class every year on this with the custodians, as long as they don't take that wax down to that tile, they are fine. John stated under the carpet, if don't touch tile the liability is not there. Jim stated the problem is carpet is glued to the tile.

Jim Hill stated the next item is the Warrant Article which he strongly hopes the Committee will support. There is a \$500,000.00 cap on it; the purpose of the Maintenance Trust Fund is to try to build up over time; if they save money by doing stuff in volume, that money doesn't go away at the end of the year, it stays in there and can be used for future projects. These numbers on the spreadsheet are guesstimates; they know after 15 years on the life of a roof, you start to have problems. Paul D stated that on the road to the High School they needed to do a 1 inch overlay; so many years after that, they need to resurface it. They have tried to put in costs and this is nothing but a big book mark and to also let people know that they are trying to think ahead. The Maintenance Trust Fund isn't just a whim; it's not there for nothing. When talking about resurfacing the entire parking lot, resurfacing the road, resurfacing that track, re-roofing that building, you're talking hundreds of thousands of dollars. The purpose of this is to just let people know it is on the radar screen and again, you can pay a little or you can pay a lot.

John Edgerton stated you want a \$500,000.00 Maintenance Fund, what is the life cycle of \$500,000.00, how many years would \$500,000.00 roll over. Jim stated it depends; for example, last year was the first year of that Maintenance Trust Fund and ironically was the year that the fuel tank went at Conway Elementary and that fuel tank was \$112,000.00. Jim didn't think they had dipped into that Maintenance Trust Fund, but they had to go find funds; but it depends on those types of things. If they took the fuel tank out of that Maintenance Trust Fund, the roll over of that trust fund would have been zero. The roof on just the Pine Tree Gym 3 years ago was \$100,000.00. When you start to look at those size projects, you will chew up that money within a year theoretically. John stated you haven't done that in the past; what you are talking about is a 5 year roll over. Jim stated what he is talking about is trying to build up some type of savings account so when they have to do these big ticket items, he doesn't have to go out to bond to do it or have a special annual meeting for when that fuel tank leaks that has to be done, that is not something you can anticipate necessarily.

Sheryl Kovalik stated a couple of years ago there was a lot of conversation about the approach and savings up front; she thought a version of the spreadsheet was shared and one of the things that surfaced was if they were going to use this as an estimate, the amount of money they would need to put into a Maintenance Trust to actually cover all these expenses and avoid bonding at any time would be quite large and it was significantly more than \$100,000.00 per year, capping it at \$500,000.00. What they settled on was what they thought was a reasonable amount to defray some expenses that would come as a surprise or that would be known to be coming in time and that was sort of a step in that direction. Sheryl didn't think they should be setting up a \$1 Million Maintenance Trust to replace roofs in 10 years, she is not going in that direction. She stated they have these conversations all the time, back and forth. This is something they have done for 2 years now; it seems to be helping without it being a huge amount of money. They have always been open to conversation of a better path; this was the direction picked 2 years ago.

Jim Hill stated he had locked in for fuel for next year; currently at \$2.76 and will be at \$2.36 next year.

Sheryl Kovalik stated there were some questions that had been thrown around at previous meetings that have not surfaced tonight. Questions that pertain to the process they follow when they have projects to do; how do they go to bid; where do they get the numbers; how do they establish cost. Do they also go and get something new or look at something refurbished because it's not going to be used much and will have an adequate life. Sheryl wanted to have those things on the table and aired; there has been conversation about the possibility of needing generators and while they are not necessarily something that's in this budget cycle, there was recommendation for used or leased; there's been a lot of different recommendations and they don't have anybody from the Budget Committee on the Maintenance Committee and she thought they needed to invite somebody from the Budget Committee to serve on the Maintenance Committee so that there is a communication flow back and forth as to process, concerns and an opportunity to share expertise. Jim Hill stated

it was a committee of the Board, so it's the Board's call. The more the merrier, the more eyes the better; good to question the way things have been done and he welcomes people to be participants. It makes his life easier when he tries to get the Committee's endorsement if he has somebody on the other side. Sheryl stated Dick was open to the idea and she will take it back to the Board.

Jim Hill stated he was frugal, others call it cheap; usually when it comes to finding out about what things cost and where they go, he tries to rely on people with the best knowledge. For example, the generator for the High School, it was there particularly because they are on the downhill side of the slope and it was for the sewer pump; if the power went out, the sewer would still make it up over the hill and to the Treatment Plant. North Conway Water Precinct has all kinds of generators and rather than have Jim and Andy go and say "Let's go buy x, y or z generator", they said this is the make and model you should use, we keep the parts in stock and those are things that come into play. You can save a little money here but if you try to get some continuity, you might save yourself a little bit more, rather than have North Conway Water Precinct keep a pump on the shelf and Conway School District keep a pump on the shelf and Conway Village Fire Precinct keep a pump on the shelf, there's a pump on the shelf and if somebody needs that pump, it fits into all those types of units. Same thing with flooring, meet with different vendors and try to come up with what's best for wear, best selection. When purchasing, if it is small stuff, he will try to call 3 local vendors; if it is over \$20,000.00, it is Board policy that he either has to go out to formal bid or he has to inform them why.

Chairman Bacon asked Jim to discuss the new systems at the High School. Jim Hill stated a lot of that stuff you have to be able to see it to get an understanding of what it does. Basically, Andy can from his office for those buildings that have it, all except Pine Tree, he can check pumps, test and when they go, instead of sending staff, he can get a general idea at the Maintenance Garage, put the needed items on the truck and head down to get it fixed. He can trouble shoot on site; if getting a low temperature reading, he gets a warning on his cell phone and he goes on-line, looks at what the problem appears to be and then calls the guys in to bring the right parts to get it fixed. Chairman stated that's because they are changing all of the hydraulic with the pneumatic. Jim stated taking out the pneumatic and putting in electronics and that's not the wave of the future. Chairman stated you have discussed future plans of trying to get the rest of the schools on-line with that, is that mentioned in the handout. Jim stated look at Pine Tree, it is in the 5-year plan; right now dealing with the carpeting and roofing issues.

John Edgerton stated a few weeks ago had a big discussion concerning generators and he agrees with generators for emergency purposes but the municipalities themselves in the last 30 years, the most time they have ever lost power was 3 hours; outside town, outside the Villages that is a different story. Jim stated if you look at their 5-year plan, there are no generators on it with the exception of the Middle School and that was more for the heating system; that is one big building and all windows on the North side and if that power goes out at 20 degrees below zero, they're in rough shape. To elaborate on that a little more, if we were to

look at generators, there would be a question on whether it would be in this forum or the Board forum or the Facilities Committee or a combination that would ask what are we looking at generators for; are we looking for generators so we can have daylight in the building; are we looking for generators to only run the water and sewer at Pine Tree because it is not on a municipal system; or are we looking at some place in between that we want to have lights in the Gym and Cafeteria for those emergency purposes where we can store people until the buses can get there. That's a whole big discussion that needs to take place.

Chairman Bacon stated when we had that conversation, the main concern was security and Jim stated that is strictly a health issue because they are not on a municipal water or sewer. When that power goes out they have no water and they have no sewerage and, again for 18 years it's been an intermittent problem that they have dealt with.

Bill Masters stated he would like to see at future meetings perhaps information of what all the options that they've looked at in terms of bids along with the manufacturer's Warranty issues so that we understand what the manufacturer is saying the life expectancy is. They've got tile, they've got carpeting and there are certain other surfacing substances such as the epoxy, if all of those things have been evaluated, he would like to know and it would certainly be of his interest, the comparison cost wise, what the manufacturer is saying, is it particularly designed for the surfaces you want to put it on and the wear factors are extremely important. That tells us a lot more in terms of the homework that you've done and comparison that you've made in terms of costs factors. That would help him tremendously in trying to make a decision.

SCHOOL RECOMMENDATIONS

Ray Shakir stated maybe somebody could refresh his memory; when they had the tour, one of the factors was that Pine Tree had a very, very low student body and the population of Pine Tree wasn't expected to rise appreciably and also noticed that the schools in Conway were devoid of a lot of student participation; there was super amounts of empty space. Why couldn't we eliminate Pine Tree and move the facility to Conway and he couldn't recall what the problems were other than the fact that it might be inconvenient for certain people. Personally, he doesn't think that is a major factor in the decision, but other than inconvenience, he didn't recall any other reason why we couldn't close Pine Tree.

John Edgerton stated he would rather see the school, whichever one it is, if the final study comes in because we don't know what the final study is going to be; if the 6th Grade moves to the Middle School then consider after that study is done which School has to be closed down, which one has the highest maintenance costs because some of the Schools are going to cost a lot of money maintenance wise. Whether it's Pine Tree or John Fuller or Conway Elementary, the maintenance cost is going to kill you. By the way, the number of students in each School is almost the same, it's 235, 265 and 213 in the three Elementary Schools and all three cost about the same tuition wise so there's no difference there for which School on a tuition basis or which School has the most students or not.

In fact, he thinks the School Department moves the line around to make sure the three are even somehow because they stay even.

Sheryl Kovalik stated they don't stay 100% even because Pine Tree is the smaller in terms of actual square footage, they are pretty close. She doesn't know mechanically the direction the Board is choosing to go to accept the recommendations of the K through 8 Committee; they've formed a deeper committee of research because some of the financials that were attached to that were criticized by Board members as not being thorough enough, the costs associated with moving the 6th Grade to the Middle School seemed quite high. The first step of the puzzle was let's take the recommendations which are to go through exactly what's required to move the 6th Grade to the Middle School, go through the mechanics of that, the committee has been formed and they are beginning their work and they will tell us what the mechanics of that will look like because we do have Tuition Agreements with sending towns so some of the formulas are going to have to be revised and she didn't know if that includes requirement for voting at some of the sending town levels or can we have addendums to the existing Agreements because there will be changes in the formulas that are assigned because the number of towns participating at the Middle School will change which will increase Conway's share at the Middle School but not by huge numbers. The second part of the puzzle is once they do that, of the remaining population that's in the 3 Elementary Schools can they accommodate that population adequately at two of the three Elementary Schools and what would that look like. The recommendation that came from the K through 8 Study said to pursue full day Kindergarten. What they spend in Special Education costs because they don't catch students early enough and young enough to get them involved and get them on a track that eliminates the need for ongoing Special Education that by getting them into School earlier can impact that more quickly and more effectively. This recommendation would not allow them to close an Elementary School necessarily because it would require additional space because right now they run half day Kindergartens and that space is utilized. The only other way to consider the direction that Ray's advocating for is to look at whether or not they want to change rules that they have that govern class size in the K through 5 category and the Board has had a position of less than 20 students per class is best for academic success for the students based on the research. All that having been said, she didn't know what the legal process is if you want to close a building; she didn't know if the Board could do that without a vote and she didn't think it would be wise without a hearing.

Ray Shakir stated with all due respect he didn't like Sheryl's answer, but it's okay as he had no problem with that; but he was leaning towards Pine Tree because not only the amount of students but they did see about the problems that they were having in terms of running their diesel, in terms of being off the grid, in terms of running the septic system. All of these factors played into a school that was not up to the standards of the regular school in terms of being able to have the facilities available to them. In order to maintain a certain standard, it would cost a lot of money because it was off the grid and out of the way and it just seems to him it would be the targeted one because in the long run it would be easier to move everything over to schools that are connected to everything and convenient to everything. As far as class size goes, he

doesn't want to bring that up again but bottom line is when he went to school, he had 40 and 50 kids in a classroom and he made it past 2nd Grade so obviously he doesn't really believe 20 kids is a major issue, he doesn't understand the logic to it.

Sheryl Kovalik stated you need to hold the Board accountable to finish the process and to finish it within a reasonable amount of time and to share the results with the public and be involved in that process. There are members of the Budget Committee on that team and you are the ears for the community as much as the School Board members are to scrutinize the process. She is not comfortable that the first wave did a good enough job with the finances; there were a lot of questions about the numbers they used for calculating the costs of renovating the Middle School to accommodate the 6th Grade. There are some challenges there; sorry we have to go to another level to get the work done. Chairman Bacon stated there is probably going to be 2 or 3 more levels to that when you start talking about legalities and setting up the whole process; seems like it will take a little bit of time. Sheryl further stated if the logic suggests they can do this and the numbers bear it out, they still have the emotional aspect of it which will be another piece of the puzzle so doing it well with the public being informed is going to be a key element to it being successful.

Bob Drinkhall stated it has been his experience at the Town level and at the Precinct level that the people do not have that great a concern over the cost when it comes to giving up their individual control over their section of the town or their specific school. There would be a revolt if you were closing one of the schools; just like there would be a revolt to combine other services in town and that is a big factor.

John Edgerton stated he agreed wholeheartedly; Pine Tree is the oldest and the village wasn't going to give up their Elementary School; that's a political issue. If we just started to discuss that, this room would be full. Sheryl Kovalik stated one of the things that was humorous at the Board level is what they should have done is consider putting a Warrant out there that said they were looking to close one school and not name it. All they can do as elected representatives is share the homework, share the results of the homework, be thorough in their work and let the public know what they recommend.

David Jensen stated when the School Board is putting together trend lines for where they anticipate the population is going, are you looking at things like building permits, because he knows by McSherry's there is a road that goes up over the hill and he doesn't know in this economy how many homes are going to go there but that could dramatically impact the number of students per School District or the building project that's been approved today. Sheryl Kovalik stated if it is going in across from the SurFine Grocery Store then it falls in the Conway Elementary District unless they re-district. They do look at those things and the biggest study they did before the size of the High School was determined because there was a lot of talk about not being too small too soon and the capacity of that High School was based on the trend lines. They've been pretty flat for a lot of years, they have not seen a lot of growth, but

if the economy turns around and they start building over at Davis Hill again, it will have an impact on Pine Tree.

John Edgerton stated the population of the world is getting smaller not bigger and we have to look at that, but if you're talking about \$400,000.00 homes, they can't afford to have kids, so you're not worrying about huge population growth. They are coming here and retiring. If you can buy a \$400,000.00 home, you're not putting kids through college and you're not raising kids, you've done it or you're not going to live here. Bob Drinkhall stated the population is older and older that is moving here and it seems from all indications the chances of there being a great influx of families with children doesn't seem to be too overwhelming. Chairman Bacon stated on the Studies For Policies In New Hampshire website and their trends last year was that there was more retirement coming to the Valley and it's probably the #1 in New England for retirement age, so that may affect future growth.

Sheryl Kovalik stated every year it is her hope that the Budget Committee will support their budget going forward. Last year was such a great year to have everybody on the same page. She would like to remain open for recommendations, she knows it is a hard year and if you can't support it, let her know what it is you can't support it and they can have a conversation at the Board level. Chairman Bacon stated he didn't like the wages and benefits.

Sheryl Kovalik stated this year teaching staff makes up the largest share of the benefit pool; they had no contract and no raise for the current year and the past two contracts that have been approved represented between \$450,000.00 and close to \$500,000.00 as Warrant Articles; there was nothing on the Warrant last year for the teachers and this year because they also took the \$500.00 deductible for health insurance, the net increase is significantly lower than those two years; it's below \$400,000.00 this year if that contract package passes so it's a decrease overall of a multiple year when you look at it. They have taken a hit, if you will, for the Town and it's unique in our District, it's not happening in any other District in New Hampshire and she applauds the fact that the committee that did the negotiating got to that place and the net effect to the taxpayers instead of having another \$450,000.00 or \$500,000.00 Warrant Article to consider, it's below \$400,000.00 because it represents the savings on the health insurance.

Ray Shakir stated they have an Evergreen Clause. Sheryl Kovalik stated yes, they do have an Evergreen Clause; however, in this contract because they did not go strictly with a merit increase, they have a cost of living in that contract. They will lose that opportunity for the cost of living because that goes away if a new contract doesn't come into place. What they would have if they failed at negotiations, the Contract would roll forward with their health insurance and the \$500.00 deductible and no raise. The cost of living would disappear; the Evergreen does not protect a cost of living increase, it goes to zero. That's what they did at the recommendation of lawyers to make sure that they will always come to the table for conversation. They would see no raise in their salary, the health insurance premium would go up which they pay 20% and that will

take more of their salary and they aren't going to have any increase in their salary.

Bill Masters asked how many new positions were in this budget. Sheryl Kovalik stated they did not add any new positions, they did take out one-half custodian at the Middle School because they said they didn't need it to get the job done and she believes the only positions were at the Elementary level because of the loss in the way the State is going to give the Class Size Reduction monies; the funds can't be used to put teachers in some of the Elementary classrooms and it is either one or two that was added at the Elementary level. Bill stated those new positions the taxpayers will have to pick up; there was something about 5 new Aides for Special Education. Sheryl stated she didn't count those because she doesn't count the Special Ed Aides that are mandated by the IEP's because she can't refuse to fill those positions because the student's Individual Education Plan requires them so when they add Special Education Aides based on those IEP's, that's the part of the mandates for Special Ed. Bill stated we, as a Budget Committee, can say that you need to look at your other programs for funding sources for that. He understands the requirement to fill that mandate, but the question is if it's increasing the tax burden on the population that we have in Conway, he would hate to go out to them and say we need another \$1.00 to \$2.00 per thousand and he thought it went up from \$11.00+ to \$12.00+, adding about \$1.37 more per thousand on the tax basis on the School side. It's pretty hard at this point with the economy the way it is to try to justify this and he is struggling with asking taxpayers to absorb these things particularly where we get Federal mandates and State mandates with no funding coming from them to support that; to him that would be "a tax increase" shifted from them because they don't want to address those issues to us down here that have to absorb that rather than them dealing with it, we dump it on the towns to resolve it themselves. He was just having a hard time with that; he would like to keep the expenditures at the same dollar value that they were last year.

John Edgerton stated he sees that the budget this year is \$200,000.00 less than last year, but you have to put that in perspective because there is \$1.635 Million less debt payment and he realizes \$400,000.00 is Special Education, \$35,000.00 was the Police Officer. The School Department, the School Board are doing an outstanding job, they're working hard, they've taken every single recommendation this Board has had and done the study and come back with answers. The only thing is we have to be able to tell the public that the reduction in debt payment needed to be spread through areas so that it couldn't come as a tax reduction; we need to get that out to them and they are not going to be happy. Sheryl Kovalik stated before John arrived at the meeting, she asked Carl to address those numbers and he gave a list and said that this Committee had been handed a list of actual expenses that were health insurance, the retirement increases, all the increases that they didn't control that chewed up the debt reduction and she will get that out to everybody again. Sheryl further stated that her biggest frustration with the unfunded mandates is that this isn't the first year that they've had the need to be frugal and in past years what has happened is that they have balanced the budget on the back of the Regular Ed kids because they've had to absorb all of the Special Ed increases and it has affected

the programs that they get to give kids who could be our scientists, our lawyers, our engineers and our great community contributors and she has a problem with that because she wants everyone to have equal chances; she doesn't like shifting the burden; they did not anticipate the huge aspect of the increase for Special Ed. She is going to be asking the Board to see if they can come up with some kind of a way to not have it impact so hugely.

David Sordi stated the increases seen that are unrelated to Special Education, are those non-routine increases or are we going to see that kind of increase every year. Next year, we are not going to have the debt reduction; are we going to all of a sudden see the budget go up. Sheryl Kovalik stated she couldn't answer that because she didn't have a crystal ball, but every year they have seen an average increase in health insurance of somewhere between 7% and 12%. When they do the budget planning, they pick 10%; this year they got slammed with a 14% increase and the savings they are going to get with the \$500.00 deductible is considered in the Warrant for the teachers' contract and it's in the contract for the CESP which don't currently have those kinds of plans; those already include those projected savings. The savings for the SAU moving to the \$500.00 deductible and for the itinerant troops requesting movement to the \$500.00 deductible, those savings because they are not contractually based, are already assumed in this year's budget. The increase of health insurance was mitigated in some degree by the shift to the \$500.00 deductible.

Bill Masters stated there was a TeleTalk that came out and the question was: What role the School system should have in dealing with the special needs children. He noticed the feedback, only 3 out of 11 supported that concept and if that is a sample of the public's attitude towards cost factors or what the role of the School system or educational system should be in dealing with these children that have special needs, he might have a hard time supporting a lot of the things. Chairman Bacon stated that had to do with the at-risk children and Student Advocate position. Sheryl Kovalik stated the Student Advocate position is not currently in the budget and as much as she personally supports the position, it's not the right budget year to put it in. Sheryl further stated that she was not convinced that there isn't a grant out there to fund a position like that because they are talking about at risk kids.

John Edgerton stated he has a hard time with Special Ed over 18 when the whole nation is run on adults over 18 and we task the School Department to raise kids who are still kids at age 21 and that's hard for him to justify spending the money in the School Department; they shouldn't be there.

Sheryl Kovalik stated Point of Order and further stated we are all on the same page about this philosophically. Legislatively we need to make those changes and it isn't even within the State itself, it's a Federal issue and the State is required to uphold the Federal Guidelines in order to get the Federal monies they want for the things that they pay for in education. She stated that we need to take care of our students. Chairman Bacon stated to Sheryl that she called a Point of Order which means all discussion was suppose to halt.

John Edgerton stated he agreed with Sheryl, but we can't do anything here and Karen isn't even here to take it to the State; it needs to go to the Federal Government and we need the Federal Government to straighten it out.

Pat Libby stated she would like to have Sheryl bring to the attention of her people the Special Ed \$100,000.00 Warrant Article and that she thought they were going to have to sell it pretty well because people will see that it is going up \$300,00.00 anyway. Pat agrees with the concept, she would much rather pay out of savings than have to go get a loan, but you are already increasing by \$300,000.00 and asking for another \$100,000.00 to go in the bank. Sheryl Kovalik stated they need to point that picture because they have \$200,000.00 right now and they may be using some of that so they need to show that they are using some of it and that they can use some of it in next year's budget as well and they need to make those accommodations. That is part of the conversation she needs to have with the Board. Pat stated she thought they needed to have it at the School meeting because she knows people will ask where can we save some money and that would be her first thought. Sheryl Kovalik stated if they have monies there and she was not sure if they would have to use any of the money this year because the year isn't over with yet and they've had some big surprises so they may have to use some of that this year. If there is any left, maybe it is time for them to consider using it to apply to next year's Special Ed costs and help reduce some of that increase.

Ray Shakir asked if Sheryl knew off hand what the percentage of Federal contributions is to the education in this Valley. Sheryl Kovalik stated no, but she could get that for him. It would be visible on the Revenue side of the budget; Federal projects is \$1.4 Million. Ray stated would it be your opinion that if the Town decided to opt out of the unfunded mandates that it would offset the cost of the Federal stipend. Sheryl stated she didn't know but it was worth having a conversation; there may be another side of that; the unfunded mandates are also supported by the RSA's which are actual laws, we might be liable to individual students and they might sue us because we are not meeting the equal access to education law.

Doug Swett stated the sum of the whole thing is we're paying a price for big government.

Bill Masters stated we had a handout that dealt with the teachers and their degrees, certifications, the base salary, etc. and one of the things that he was keenly interested in was the teachers in the classroom, the percentage of time in the classroom. Sheryl Kovalik stated the CEA contract requires that they teach for 4.5 hours a day out of a 7 hour day. Bill further stated on the non-contract people like Aides, where do they fit in to the scheme of things. Sheryl stated the CESP folks are a contract, that's staff, non-certified teachers, can be Aides, Secretaries, Administrative Assistants, but they are not teachers.

John Edgerton stated merit pay is in the contract; his understanding is that merit pay is for the top 10%, 20% or 30%; what is the percentage of

teachers that get merit pay. Sheryl Kovalik stated the merit pay system pays out a certain amount of money for teachers based on their rating; it can be paid to every teacher except for non-proficient. You're thinking of distinguished and distinguished is not being given a bonus in this current contract. John stated merit pay is because you are a teacher, you get merit pay. Sheryl stated no, teachers are evaluated across 4 categories and they have to get a certain rating, a total number of points from each of the categories and they are rated on a variety of different things, instruction is actually weighted heavier than the other categories, but the end result is a numerical score that translates into a scale for qualifying in the top, middle or bottom tier of merit pay. If you are less than 3 years, you have 3 years to reach your tenured status and if you become a tenured teacher and you get a basic rating, you have one year to improve that or you are gone. The taxpayers actually asked for this particular system, they wanted some of the compensation tied to their performance versus what you have in Berlin and Gorham and every other District in the State which is a step increase based on the fact a lot of these towns sign 5 year contracts with the teachers getting 3% a year regardless, forget the economy.

Bob Drinkhall stated he brought that up regarding the merit pay because in past years out of roughly 180 teachers in 2009 111 were rated distinguished, 106 in 2008 and 102 in 2007 but that system has been changed and is being look at and it won't happen that way in the future. Sheryl stated they had to get the contract first, then they can go back and discuss the merit pay and everyone's pretty much in agreement in theory that to be distinguished you should be distinguished in 3 of the 4 categories; part of the reason those numbers were there was because it was not weighted adequately across all categories of the evaluation, it was a flaw.

Pat Libby stated she understands the School Board is addressing the Middle School situation with the tuition disparity and she knows the study is going on, it is still a concern because it is so much higher than the State average and the other averages and she hoped they would continue to look at that, particularly if the population continues to go down. Sheryl Kovalik stated she wanted to see them use the facilities they have as much as possible; personally she was very much in favor of moving the 6th Grade to the Middle School for academic reasons more than just facility use. Pat stated she was bringing that up because she read the literature that Kevin (Richard) brought in and it sounds like it is an excellent program, but cost at some point becomes a factor.

Doug Swett asked what would it cost to mothball Pine Tree; you don't just lock the doors and go home. Chairman Bacon stated he thought that would come under that study. Sheryl Kovalik stated that was why some of us questioned where the numbers came from. Doug stated the Portland School system got a new superintendent and they are going to be very short on State funds; he did not know what the union agreement was there, but the other day the new Superintendent told the teachers that they would be going another hour teaching and he laid off 100 and he was adamant that they would be teaching 6 hours in the classroom. Sheryl stated there are provisions for coming back to the table to have conversation; both sides

have to agree to come to the table. Doug stated the taxpayers who aren't teaching school have some real worries.

Chairman Bacon stated that it looked like there were no recommendations for the school. Sheryl Kovalik stated her natural response to that would be to assume that everybody is going to support the budget. Bob Drinkhall stated that was not necessarily the case. Chairman Bacon stated not necessarily; he thought the school has done a great job and last year did a good job in giving us everything we asked for; sometimes too much paperwork; it's hard to go through all of this, but the School has done a good job even though he doesn't like how they got to that point.

Bill Masters asked Sheryl if we have other questions after we've really had a chance to digest the reams of material we've received, can we bring them forward to you. Chairman Bacon stated send questions to him and he will forward them. Bill stated he wanted to make sure the door was still open for inquiries.

Chairman Bacon reminded everyone that the meeting with the non-profits was on Saturday, February 6 at 9:00 AM and if any member did not have copies of the applications, he had extra copies.

TOWN

Bob Drinkhall stated he had a response to the recommendations. The first was a request that the Selectmen re-look at their reduction of the Library budget so that the budget could remain level funded. As you know, Selectmen had asked for a reduction of \$25,000.00; that was put back in and Bob made a motion to reduce the budget by \$8,025.00 which is the amount that would be increased to the taxpayers due to their funds not having the yield that it has had in the past and that passed 3-2-0. The new figure is \$438,112.00 and that is what the Board of Selectmen is recommending. The second request recommended \$600.00 be cut and removed from the Recreation budget and Bob made that motion and that passed 4-1-0. The third recommended the budget be reduced by \$125,000.00 based on the fact of a decrease in bond payments; David Weathers made the motion, seconded by Bob, and they started the discussion and he could see that was going down the tubes rapidly as there was nobody other than himself that might agree to that. Bob amended the motion to \$30,000.00 which passed 5-0-0. The new Town budget is \$9,589,159.00 and that was adding \$25,000.00 back in for the Library, taking out the \$8,025.00, taking out the \$600.00, taking out the \$30,000.00 and also taking out from the old figure what the Library had already taken out which was \$6,797.00 that they took out on their own.

Bob Drinkhall stated the Garage Committee met at 2:00 PM and he was surprised again because they were looking at the original figure from Town staff of \$600,000.00 and that was increased to \$650,000.00 which upset at least two of them; hence they took a vote on the \$650,000.00 per the wording in the Bond and it passed 5-2-0 with Bob and Ray in the negative because they don't feel \$650,000.00 should be spent. They then took a second vote on support of building a new garage, and Bob wants it out there that he does want and supports a new garage, and that passed 7-0-0, so the taxpayers and the Budget Committee knows we all support a new

garage. At the Board of Selectmen meeting at 4:00 PM and that is what you see on the board, because they knew it wasn't going to be unanimous, they turned around and came up with that plan which is \$650,000.00 total for the project, with \$200,000.00 coming from the Capital Reserve Fund, with not less than \$100,000.00 from the Grant, meaning \$350,000.00 would have to be raised one way or another either by a bond, a loan or possibly paying for the whole thing with taxpayer money; that hasn't been decided at this point in time. The Bond hearing is on the 9th.

Sheryl Kovalik stated when you say not less than \$100,000.00 in grants, if you got \$90,000.00 that would affect your \$650,000.00 total. Bob Drinkhall stated that is correct; they haven't decided that they are going to go after the grant at this point in time because of the strings attached; hence, that would hold it at \$550,000.00 and that's why he was in favor of this.

John Edgerton stated somebody asked about minimums on bonding; the towns now can go to the New Hampshire Bond Bank and they can get a \$100,000.00 Bond and can go 5 years but there is no need to go 20 and with the reduction in the debt payment, he thought it would be offset and he believed the proper officials will do the right thing. Bob Drinkhall stated they need to get the information out and anybody asking questions, one needs to be able to explain that there is a desperate need for the garage and that it will be done for a much less cost to the taxpayer than what was first submitted over a year ago which was \$1.2 Million.

David Jensen asked Bob to comment on the political considerations of doing a bond or not with regard to how that would effect the probability of passing the vote. Bob Drinkhall stated if it's a bond, it takes 3/5 or 60%; whereas if it isn't a bond, it would just be a simple majority or 50%.

Sheryl Kovalik asked if you don't do a bond, can you still borrow. Bob Drinkhall stated yes, they are looking to lend to us for that; they even called up last year when it was on the Warrant, looking for the possible business to make the loan so there's no problem there.

Doug Swett stated at these meetings he brought up the fact that it would be nice to write the Warrant Article and put the details in but they are controlled on how you write the Warrant Articles by the DRA. Chairman Bacon stated the thing would be to get out as much information as possible and encourage people to go to the bond hearing.

John Edgerton moved, seconded by David Sordi, that this Board support the garage and back the Selectmen with a positive attitude for a new garage. In favor: 11; Opposed: 0; Abstain: 0.

Pat Libby stated if it goes in as a Warrant Article, we will be making a recommendation anyway. Bob Drinkhall stated it doesn't hurt to say you do support and he could bring that to the Selectmen's meeting next week.

Sheryl Kovalik called the question.

Sheryl Kovalik moved, seconded by Bob Drinkhall, to adjourn the meeting at 8:15 PM. Motion carried unanimously.

Respectfully Submitted,

Iris A. Bowden, Recording Secretary