

**MINUTES OF MEETING
MUNICIPAL BUDGET COMMITTEE
January 3, 2011**

A meeting of the Municipal Budget Committee was called to order at 7:00 PM in the Meeting Room at the Conway Town Hall with the following members present: Chairman David Sordi, Bob Drinkhall, Doug Swett, Bill Masters, Karen Umberger, Janine McLaughlan, John Edgerton, Ray Shakir and Joe Mosca. Members excused from meeting: Linda Teagan. Members absent from meeting: Bill Aughton. Also present: Dr. Carl Nelson.

Chairman Sordi asked Ray Shakir to lead those present in the Pledge of Allegiance.

Chairman Sordi did a quick overview of the Agenda for the meeting: a review of the September 29th, October 20th and October 27th Minutes; some of the Old Business is looking at the schedule for the next couple of months; the primary reason tonight is to begin the review of the 2011 Budget for the School and continuing Wednesday night with the Town.

SCHOOL REVIEW

Chairman Sordi thanked Dr. Nelson for being with the Committee and stated that what he wanted to get done tonight was a general overview of the School Budget, just got it tonight and will be reviewing it over the next week or so and more than likely will ask Dr. Nelson to come back again with additional questions, but wanted to go through and talk a little bit about the Report Card that came out in April and give an update of where we stand so that we can get a flavor of what kind of increases we are seeing in the overall budget. With that, step us through it and we can throw out any questions we may have right now.

Dr. Nelson apologized for not being able to get the books to the Committee earlier but, as you know, they finalized the budget last Wednesday night and put this together in short order, but it is complete with the exception of the Default Budget which they will produce and have available when they come back on the 12th. The Board has to approve it and his target for that is that they will approve it at the January 10th meeting. Dr. Nelson proceeded to state that he was not going to go through everything because the Committee just got the book today and he knows the members are going to want to spend some time to look at it and then there will probably be a number of questions after that. He will hit the high points and go from there.

Dr. Nelson proceeded with a Memorandum from himself to the Administrators giving them some direction on budget preparation and the direction here really was in the third paragraph where it talks about zero increases in the budget, obviously with the exception of any salary or contractual items since those would have to be negotiated or they do have contractual items such as health insurance and things of that nature which would have been the items that will cause any increase in this particular budget because everything else is the same as it was last year. An administrator

might have moved money from supplies to textbooks, but they still stayed within what they had as a budget the previous year. The Table of Contents shows the number of items in there and he will be referring to some of these items in future meetings.

Dr. Nelson proceeded with Tab A, Budget Summary, which is really unique. They list all 5 Units; that's how they generate their budgets for who have not been on the Committee before. For instance, Unit 2 is Special Education, 3 is the High School, 4 is the Middle School, 5 is Conway Elementary and so on down the line. They now have Special Ed as one whole unit as opposed to the way it's been done in the past. This budget represents a 1.53% increase in expenditures; that is the \$33,085,373.00 number that is at the very bottom of the third column from the right. That represents a \$449,000.00, round figures, decrease that the Board has already asked them to develop. Originally, when his budget came back in, it had \$450,000.00 more than it does today. The first budget generated has a 17% health insurance estimate in it. As they got to the final tally, they found it to be 14%, the company said 14%; that's what the company said their top dollar would be, a 14% increase. Some of the increases are not controlled by the Board or even Administration. So, the increase is 1.53%.

Karen Umberger stated on the health insurance, is that the maximum. Dr. Nelson stated yes.

Dr. Nelson stated the members are going to need to spend some time to go through this and obviously will and if you look at the lines above the stars that come through the middle of the page, you are going to see two numbers. One is the 1.53% he just talked about which represents an increase in the budget of \$497,000.00, that's budget-to-budget. The number under that, the 2.64% increase represents \$760,000.00 is if you were to take the bond out of there; we retired one bond that was equivalent to \$263,000.00, principal and interest. If you take that out of the equation which the Board asked us to do, the budget now reflects a 2.64% increase. The major increases you can see at the bottom, all the way over on the right hand side where it says "Totals", the total of the various Units 2 through 10. One of the big ones is the retirement piece of \$140,000.00; the health insurance increases of \$685,000.00; those are contractual obligations. The retirement is what the State has raised the District contribution for its employees by 2% and that's based on the fact that the State still contributes 35%. Last year they dropped it down to only contributing 25%.

Chairman Sordi asked what Unit 10 was and Dr. Nelson stated Unit 10 is the District wide Unit. In other words, Conway has maintenance people that work all over the District, they work in each of the buildings, they would be in Unit 10, School Board is in Unit 10. Chairman asked about Dr. Nelson's staff. Dr. Nelson stated his staff is not in there; SAU's share, in other words Conway's share to run SAU is in Unit 10.

Dr. Nelson proceeded with the other big increase of Special Education which is about \$121,000.00 after you do the pluses and minuses. Those are the big hitters. If you take the three just mentioned, the retirement which the State has told us we are going to have to contribute, the

health insurance increases which equates to \$685,000.00 and then the \$121,000.00/\$122,000.00 increases in Special Education, you've got over \$950,000.00 in increases which are required by contractual obligations, State regulations and Federal regulations, Federal regulations being Special Education. He thought that would be of interest; asked the members to take time to review it since it's the cumbersome one in the book.

Dr. Nelson continued with the net staffing change by Unit, they break it out by Unit, you can see they net out with a minus 2.1 full-time employee. So, there's actually been a reduction in staff. One of them is a bus driver and then there's portions of other staff members that have been reduced. People are usually interested in that page.

Dr. Nelson proceeded with reductions equating \$490,000.00 and the next couple of pages explaining that. The \$263,000.00 again is a reduction for the bond and interest that's retired, the health insurance changes from when they first calculated the budget at 17% to 14% and that's a \$163,000.00 difference; and then in order to make up that \$263,000.00, they've gone through each of the Units and reduced their budgets by a certain amount. Each Unit had a different amount to reduce itself by and you can see what the Principals did going through there.

Karen Umberger stated since that was a bond payment and it wasn't really allocated to anybody other than a bond payment, why did that require reductions by various Units if, in fact, you told them to come in at zero. She didn't get that. Dr. Nelson stated after we presented the original budget, the Board wanted us to reduce it by the \$263,000.00. So, when they said reduce it by \$263,000.00, he went back into the Units again and said here is the number I need in order to get to that number. Karen stated what you are telling her, if she is understanding it, the direction to hold things at zero wasn't followed. Dr. Nelson stated it was followed, exactly followed. The bond payment comes out of Unit 10. Karen stated she understood that and that was why she was confused, because if, in fact, it was out of Unit 10, then the only place that it should have effected anything is if you went in and said a zero increase was in Unit 10. Dr. Nelson stated they went back and decreased all the Units by the same formula they did for any other reductions.

John Edgerton stated they came up with a 2.64%, 3% increase. Dr. Nelson stated that's correct, that's what you come up with. Those are contractual obligations. The zero had to do with everything but non-contractual obligations, health insurance is a contractual obligation, retirement is a contractual obligation, Special Ed is a contractual obligation, well State requirement. Those things were excluded when they said they wanted to be at a zero balance.

Chairman Sordi stated the instructions to the Units were to maintain a zero balanced budget, not including any of the contractual obligations and they did that, but they still had to go back and reduce it another \$263,000.00. Does that mean Unit 10 then when they did their overall budget basically took that \$263,000.00 that had been eliminated and increased their budget by that amount. In other words, you are saying that all of the Units, everyone maintained a zero balance or a flat

budget, notwithstanding all of the contractual issues; \$263,000.00 of that was eliminated through the bond payment and you had to go back after the School Board told you to reduce it by that amount using a formula, asking all the different Units to reduce their amounts so it added up to \$263,000.00. Something happened to that \$263,000.00; you just said Unit 10, that's where the \$263,000.00 is in Unit 10's budget. So, the only thing he can conclude is that Unit 10's budget actually increased by \$263,000.00. Dr. Nelson stated you can take a look at Unit 10's budget, it's in the Budget Summary. Chairman stated let me ask it another way; did the instruction of maintaining a zero balanced budget, would that have excluded the bond retirement from the consideration. Dr. Nelson stated in their budget, they felt it was included in the consideration. The Board stated "take the bond out". Chairman stated since it's a Unit 10 thing essentially Unit 10's budget went up by that amount if you didn't consider it. Dr. Nelson stated no. Karen Umberger stated it was spread through out all of the Units is what he did, as opposed to staying at the zero in those things, they actually spread the \$263,000.00 out.

Dr. Nelson proceeded with what the Board looked at in the December 29th meeting for the members to review. For those of you who were not involved or at the meeting where they reviewed and eliminated a Guidance Councilor and things of that nature, that's all in the back part of that summary. Eventually, they did eliminate an Administrative Assistant to the Dean of Students at \$44,880.00, but the Board did add back in Elementary Instrumental Music which was around \$12,000.00 and an Aide which was around \$11,000.00 so that came to about \$22,000.00.

Dr. Nelson proceeded with the Revenue page, Tab G. They have given a Best Case and Worse Case Scenario. Every year by November 15th the Department of Education has to send a calculation on what kind of Adequacy Aid they are going to get and what they do is go to a formula and calculate it and send it and the reason they are doing a Best Case and Worse Case Scenario is because of the Memorandum that was sent with that particular calculation. While the calculation shows that Conway will get about a \$1.1 Million increase in Adequacy Aid, the cover letter says "For the purposes of local budgeting, no municipality should expect to receive substantially more or less in adequacy education grants than it received in FY2011." What they proceeded to do for the Committee was to take the first page in the Revenue section, the Worse Case Scenario, which assumes that they will get no additional aid; they will get the same aid as they had last year. As you can see, they start with the estimated fund balance of \$130,000.00 in estimated revenue and that's primarily from Aides currently from sending Towns, Special Education Aides that they pay for. Then they estimated about \$360,000.00 that they will have at the end of the year unspent to offset taxes the following year. One of the big question marks is the Catastrophic Aid where you see the little note to the side where we are estimating 60% of the Aid. What Catastrophic Aid is for those that don't know, is for high expenditure Special Education students and that would be where the District spends greater than 3.5 times the average per pupil cost in the State which is somewhere around \$40,000.00. Once you get above that mark, the State is suppose to pay you back upwards of 85% of that money that was expended. It gets paid the following year that you expended it, but it was 85%. They are telling us

now that we should look at no greater than 60%; and that's what they used in the Worse Case Scenario.

Bob Drinkhall asked in this past year, what did the District get. Dr. Nelson stated it was higher than that and he was thinking it was in the neighborhood of 69% or 70% or something like that. Bob stated then it has come down from the 85% gradually over the years. Dr. Nelson stated it has and he thought because of the budget crunches that's what's happened.

Dr. Nelson proceeded with the Revenue page and Tuition. They will probably be receiving about \$677,000.00 more in tuition than in the previous year. At the very bottom of the page, out of the \$33 Million, Conway's going to raise \$15.7 Million, the rest of it is going to come from other sources, those other than Conway. Karen Umberger asked where that number was located. Dr. Nelson stated at the bottom you have to add two numbers together; you need to add the \$3.4 Million and the \$12 Million. If you add those two numbers together, that's what the Conway tax burden will be. You have the New Hampshire Education Tax and you have the District Assessment. The number above that is the Adequacy Grant he had talked about and that's the same number as what was received this year as the Memorandum suggested we should do.

Dr. Nelson proceeded with the Best Case Scenario. They still estimated 60% on Catastrophic Aid, still have the same estimate for tuition, have a greater estimate for the State Adequacy Grant which is \$1.1 Million greater than this year. That's all going to have an effect on the tax rate which is next. He wanted to answer any questions on Revenue before moving on. He knows this is a lot coming at the members, all at one time, he understands especially if this is the first go around with it.

Karen Umberger asked which was the line of the sending towns in Revenue. Dr. Nelson stated there are several of them. The Middle School Bond, the High School Bond, and then you have Regular Education and Operating Costs for the High School which is the third line down. Karen asked if it was the sending town money and Dr. Nelson stated yes, it was broken up into Middle School, High School and Elementary. There are three pieces to that: there's the Operating Costs, the Bond cost and then there's the various Trust Funds. Karen asked under Regular Education, why did it drop in 10/11; you are showing \$5.6 Million in 09/10 and then you are only showing \$5.2 Million in 10/11. Dr. Nelson stated that was because they spent less in the 09/10 year, it's always a year behind. That's one of the double edge swords here; Conway reduces it's budget particularly at the High School and it's going to reduce it's aid coming in from the towns the next year. If it increases it, it gets a greater amount.

Dr. Nelson proceeded with discussing the tax rate. As you know, the tax rate determines what the tax bill is that you get twice a year in Conway. What you see on the white page, again he was giving a Worse Case and Best Case Scenario, this is the Worse Case where they hit the same amount as last year. There will be a \$.29 reduction per thousand in the tax rate, \$.29 less per thousand than it is currently and that's without the Warrant Articles.

Karen Umberger stated that's because of the \$600,000.00 increase from the sending towns and Dr. Nelson stated basically that's it.

Dr. Nelson proceeded looking at the bottom of the page and the Warrant Articles, there is only one that they don't know right now, they haven't completed the AFSCME negotiations. They have completed the Teacher negotiations, the CESP; there are three Warrant Articles that are required, the Trust Fund Warrant Articles, which are by contract with the sending towns, they pay so much to us and we have to raise so much and it is a Maintenance Trust Fund for each of the levels. If you take those three Expendable Trust Funds, they would amount to a \$.06 increase which means the \$.29 would go to \$.23, if you assume they will get passed.

Karen Umberger asked why that was an increase. Dr. Nelson stated it is an increase over his minus \$.29. Karen stated we've been paying that for years. Dr. Nelson stated all he was saying is that instead of it being a \$.29 reduction in the tax rate, it would be a \$.23 reduction in the tax rate if you assumed you wanted to pass those three Warrant Articles. If you add up all of the Warrant Articles, which he has done, with the exception of one because they don't have that complete yet, it would be a plus \$.35 tax rate.

Chairman Sordi stated out of curiosity and this may be required under DRA rules, but those have to go in as Warrant Articles every year even though we are contractually bound to pay those. Dr. Nelson stated yes, we went through that a few years ago. Chairman asked if they are voted down, then what happens. Dr. Nelson stated then we've broken the contracts, the contractual obligations to contribute to that. The only way we could do that, according to DRA, is the way they've set it up right now and they're raising and appropriating, for instance, \$54,000.00 and he will show the Warrant Article when we get to it, we'll be receiving Revenue of a certain amount from the sending towns.

Ray Shakir asked if Dr. Nelson was stating that if they got all of the Warrant Articles, the increase would be a net \$.06; all of the Warrant Articles add up to \$.35 more, if you combine that with the \$.29 reduction, you're increase would be a net \$.06. Dr. Nelson stated no, it would be a net \$.35. If you add up all of the Warrant Articles, it's a net \$.35. Ray stated so that includes the \$.29 reduction. Dr. Nelson stated it starts at the top with a minus \$.29 and it adds in the Warrant Articles; there's \$900,000.00 in Warrant Articles if you add them all up. Those are the voter's choices; it's their choice to put in what they want and if they wanted they could vote everything down. He hoped that wouldn't happen.

Dr. Nelson proceeded with the Best Case Scenario on the tax rate and he wouldn't hold his breath on this. If they got the \$1.1 Million in Adequacy Aid, you can see a decrease of \$1.11 in the tax rate and then if you pass all of the Warrant Articles, the net there would be a minus \$.47. The budget you see in front of you without the Warrant Articles represents a decrease in the tax rate.

Bob Drinkhall stated he understood what Dr. Nelson meant when talking Best Case, but when you say Worse Case, that's assuming they don't cut

any further than they already have with the State aid so it isn't truly the worse possibility. Dr. Nelson stated none of us will know what's going to happen until June when they finally settle the budget. This is the only information they have at this point. Bob stated but it could possibly be worse. Dr. Nelson stated yes, but what's interesting, when he goes and represents some of the other Districts, for instance Bartlett and Jackson, they are in the reverse case; their Best Case Scenario is that it stays the same and their worse nightmare, if you will, is that they become donor towns again even though they aren't using that word.

Dr. Nelson stated that he thought those were the essential pieces of the budget. There is all sorts of information in the book which he was sure would produce all sorts of questions and he will be more than happy to answer them either through the Chair by e-mail and then bring answers to the meeting and explaining them or however the Chair would like to handle it.

Dr. Nelson further stated that he would like spend a few moments going over the Warrant Articles. The first page is just a short summary of the Warrant Articles as they are right now. As he mentioned, there is some \$900,000.00 and that doesn't include the AFSCME Article, he has a good idea where that will come in but he was not authorized to say that. The very first Article, of course, is to elect all necessary officers. Article 2 is the budget Warrant Article and they will have a default number for the Committee the next time we meet; he has a feeling that the default number is going to come out higher than the budget just because they have reduced so much. They haven't done it yet, haven't had a chance to do it, but they will.

Bob Drinkhall asked if the default would include the \$263,000.00 bond. Dr. Nelson stated it can't; the default is governed by regulations which is the same budget as they are in this year plus any contractual obligations minus any one-time expenses. Bob asked how does that effect the \$1.3 Million that was kept in the budget last year. In other words, there was a bond of \$1.3 Million last year. Dr. Nelson stated that bond isn't in there; there are other expenses that were absorbed. You are going to start with the budget we are in this year, right now. Bob stated that one is in the budget. Dr. Nelson stated it's in the budget at this point. John Edgerton stated they are going to keep it.

Dr. Nelson proceeded with Article 2 by stating that eventually it will contain the recommended budget number from this Committee as well as the Default Budget and it will also have the Board's recommended budget number in there which is the \$33 Million. Warrant Article 3 is one of those Trust Articles, this is the High School Maintenance Trust Fund. Conway raises and appropriates \$54,000.00 to go into that Trust Fund and they receive \$36,000.00 back from the sending towns and that's contributions from each of the towns.

Karen Umberger asked if that showed up as Revenue the following year and Dr. Nelson stated yes.

Dr. Nelson proceeded with Article 3, the High School Maintenance Trust Fund, by stating that there was \$210,000.00 in there. Article 4 is the

Middle School Trust Fund to raise \$17,000.00 offset by about \$7,500.00 from the sending towns; currently they have \$68,900.00 in that Trust Fund. Warrant Article 5 is the Elementary Trust Fund; we raise \$9,900.00 offset by \$1,266.00 from the sending towns; currently there's \$30,000.00 in that Trust Fund. Warrant Article 6 is the AFSCME Collective Bargaining Warrant Article which is not concluded at this point. Warrant Article 7 is the CEA Collective Bargaining Agreement and you can see that is \$147,419.00.

Chairman Sordi asked if the \$147,419.00 included any changes in the benefits. Dr. Nelson stated yes, it nets out everything and it was given as a back up in the back of the Warrant Articles and he also gave a copy of the calculations as they have done in the past; members can see what's added in, what the savings are and what the net is. Chairman asked what is the savings, notwithstanding change to the health benefits and Dr. Nelson stated there is a \$343,000.00 savings. Chairman stated notwithstanding that, you would have an increase of \$490,000.00, \$500,000.00 if you took that out of the equation. Dr. Nelson stated probably.

John Edgerton asked if the contract had some wording by the lawyers exempting it from the Evergreen Clause. Dr. Nelson stated no, you can not; it's legislation, it's not a contractual arrangement. What they have maintained in the contract is what they call the Sunset Clause which says that if they don't reach a contractual agreement and thus voted in by the Town, then you will only make what you made last year. That becomes void if Evergreen legislation stays in place. He believes there is a movement through out the State to change that. John stated a number of people last time voiced their opinion and the Evergreen Clause is why they voted the contract down. Dr. Nelson stated what the State found is that there's been very few multi-year contracts because of the Evergreen language and increases have been very modest because of that kind of language. He pointed out to the members that in the CEA negotiations as they do with any of the bargaining units, there is a COLA piece which can be negotiated each year and then there's a fixed amount and with this particular contract with the CEA if you're a proficient teacher there's a \$600.00 fixed amount. If the Evergreen legislation stays in place, that piece will go on forever. There is also a 2% COLA increase which can be negotiated each and every year.

Doug Swett stated if this contract passes in the Spring and in June which he understands the Evergreen law might get thrown out, do they go forever because we passed this other one first. Dr. Nelson stated because of the language they left in the contract, they're going to protect themselves. Doug asked if Dr. Nelson was referring to protecting himself or Doug. Dr. Nelson stated when he says protect ourselves, we are not going to be stuck with a contractual obligation because of the legislation, we're going to really be back to where we were before in terms of the ability to sit down and table an issue. We are going to have to wait and see what happens with that.

Chairman Sordi stated on the contract, you talk about an increase depending on whether they are proficient, unsatisfactory, basic; who establishes that rating and he knew it was discussed last year. Dr.

Nelson stated it's the Principal who establishes that rating and it's done through the evaluation system they have in place which is a rather sophisticated evaluation system. It's some 65 different items or elements that they look at in four different domains of teaching and each teacher is rated on one of those as to whether they are either unsatisfactory, they're basic, they're proficient or they're distinguished and then they have to receive a distinguished or a proficient increase in order to get the salary increase. Chairman stated given the magnitude of the increase to the budget which can be \$500,000.00 if it passes, notwithstanding the health insurance, are they qualitative or quantitative in measure. Dr. Nelson stated he thought they were a combination of both. Charlotte Danielson is what they based their work on. She has done an extensive amount of work in terms of how do you become an excellent teacher or a perfect distinguished teacher and sets up rubrics for each one of the 64 different elements he talked about so you can look at those rubrics and say in planning here's what I need to do to be over here in distinguished and the Principal will look at that and the teacher will look at that. He will bring in copies for all members of the evaluation system so that the members can look at it and then fire questions and then when the Principals are here he is sure they'll be glad to comment on that. Chairman stated that would be helpful and asked what percent of the teachers are proficient or distinguished. Dr. Nelson stated he would say about 93% to 95% are in that category and, if they're not in that category, they're not going to be here. Chairman asked if that was unusual to have that high of a level and Dr. Nelson stated he didn't think so. Chairman asked how many were distinguished and Dr. Nelson stated he would have to get that number rather than guess and that it was simple for him to do. Chairman stated proficient he could understand and if they don't reach the level of proficient or distinguished, Dr. Nelson said they would be gone. Dr. Nelson stated that if they're unsatisfactory, yes; if they are at a basic level, they're given a year or two, they can stay in that category for two years and then if they haven't improved, they're not going to be there. As time goes on, you should also be at that upper end of proficient, it should be at that rate of 90% plus; that's where you want your teachers.

Ray Shakir stated the evaluations are conducted he would assume by Department Heads. Dr. Nelson stated no, by the Principal; the Department Heads have input, but Department Heads by contract can not conduct evaluations. Ray stated so conceivably there could be some personal relationships along with these evaluations. Dr. Nelson stated he didn't think so; he knows his people very well and they are very straight forward about this. It is a topic that they spend a lot of time as Administrators looking at. One of the concerns that the Union membership has on occasion is how do you become consistent. They actually have training programs and there is one scheduled for January 10th this year and they actually sit down as a group of Administrators to look at lessons, look at different parts of this evaluation form and have dialogue about what each saw going on so that we can develop consistency. These people are very, very concerned about doing the job and doing it very well. Ray stated but the bottom line is that there is no uninterested party that's part of this evaluation. Dr. Nelson stated he would say that the interested third party is the Principal and he/she

wants to make sure that they have the best teachers they can possibly have and that there's an improvement on their teachers.

Ray Shakir asked if the negotiations were completed and Dr. Nelson stated with the exception of one, they don't have the AFSCME negotiations completed yet, they have two more meetings scheduled; they have to be done and in this Committee's hands by the 8th of February and that's the only one not completed, the other two are. Ray asked if Retirement was part of the negotiation. Dr. Nelson stated Retirement is a State obligation; the employee has to contribute to the State Retirement System, the District has to contribute to the State Retirement System and the State is suppose to contribute to the State Retirement System. Ray stated the procedures and the parameters for retirement are not negotiable. Dr. Nelson stated the only thing that becomes negotiable at all are any early retirement incentives, that's negotiable but the rest of it is not.

Dr. Nelson proceeded with Warrant Article 8, the CESP negotiations and they have that one complete and it is estimated to be a \$12,000.00 increase, that's about a \$.01 on the tax rate. The previous one had about \$.11 on the tax rate, the CEA. Warrant Article 9 is Project Succeed and the Board had asked Christine to look at that more closely and she reduced the dollars to be raised from \$77,000.00 to almost \$60,000.00. Warrant Article 10 is a Maintenance Trust Warrant Article and that's a General Maintenance Trust for the District, it's not specific to any one of the buildings; they currently have \$96,000.00 in that Trust Fund. Warrant Article 11 is the Bus Warrant Article and that has been reduced from \$150,000.00 to \$135,000.00. Jim thinks we can do it for that and, as you know, we buy two buses every three years; right now there is \$23,000.00 in that Trust Fund. Warrant Article 12 is the Technology Warrant Article, this is Phase Three and at the end of this third phase they are going to look at the new plan and will have to determine if there are going to be additional Warrant Articles and, if so, what they will represent in terms of dollars. Warrant Article 13 is the roof at Conway Elementary School; you've probably heard some discussion on that and that needs to be repaired. Warrant Article 14 is a request for a new air handler at the Middle School for \$150,000.00 which is going to be reduced. He thought they may have found another way of dealing with that but the Facilities Committee and the Board have not seen that and as soon as they get a chance to look at that on January 10th, he thought it was going to be about one-third of what is listed there.

Karen Umberger asked why this was not discovered when they re-did the Middle School. Dr. Nelson stated it was discovered and it was a matter of that or some other choice and the choice was additional spaces to be put into the Middle School as opposed to the Air Handler. It was discovered, they knew about it and it was a choice that was made. The Committee chose not to do that but do something else instead.

Dr. Nelson proceeded with Warrant Article 15 being the Special Education Expendable Trust Fund for \$100,000.00 to be capped at \$500,000.00; there is probably \$200,000.00 in there. There has been one more Warrant Article that they dropped; there was a request for a Sous Chef position which would have been \$24,700.00 or \$24,800.00. They have received some Ed Jobs

Funds of \$137,000.00 and they are one year funds and the Board has approved accepting those funds to apply next year for positions and that's one of the positions they will fund; but as you know, any Grant funded position, once the Grant goes away has to come back to the voters to be put on the regular budget. The Sous Chef position will live one more year on Ed Jobs Funds and they will have to determine what will happen after that.

Dr. Nelson stated that he knows there will be a number of questions and he will have his army with him next time to answer them.

Karen Umberger stated she did not remember off the top of her head what the projected and the actual was on the health insurance for 2010/11. Dr. Nelson stated he would get that information to her. Karen stated she knew they had a "not to exceed" but never heard what the actual is. Dr. Nelson stated he thought the actual was the "not to exceed" but he will get that information.

Bob Drinkhall stated on Article 11, the School Bus, you say you are going to reduce that from \$150,000.00 to \$135,000.00; was that reduced last year also. Dr. Nelson stated no. Bob further stated this is the first reduction and this is being done by increasing the mileage. Dr. Nelson stated that's part of what they've done. Bob asked how that was working out; he has seen one bus with the engine torn apart. Dr. Nelson stated they have had an increase cost in repairs; it's a little early to say if that's going to continue or not. They did look at that for one year and it did increase and he thought they would have to look at it over a few more years. Dr. Nelson further stated that behind the Warrant Articles there is information on the buses; there is both the CESP and the CEA calculations on the contract; there's some information on Project Succeed; there's some information on the Technology Article. There's a lot to read.

Dr. Nelson stated that the Committee had requested from him: the actual health insurance number for the current year that we are in; the evaluation system; the percentage number for distinguished.

John Edgerton stated last year we asked for but not sure we ever got it, but it was the actual number of students for each teacher in the Elementary Schools. Dr. Nelson stated he thought they gave the enrollment but it doesn't break out the per pupil per classroom. Dr. Nelson thought he could have that for the next meeting. Dr. Nelson stated he still had a list of questions and he hadn't abandoned them but they were down to the wire to get the books complete. He hasn't had a chance to complete them. Chairman Sordi asked if those were the insurance questions and Dr. Nelson stated they were general questions forwarded to him in September. Chairman asked when Dr. Nelson thought he would have it completed and Dr. Nelson stated he did not know if it would be the 12th or not, it depends; he has a Bartlett Budget that he needs to work on tomorrow with the meeting tomorrow night, but he will get it as soon as he possibly can to the Committee. John stated a quick reason why, the Middle School student-teacher ratio is less than 9 students per teacher. Dr. Nelson stated he would like John to ask Kevin (Richard) that question and he will have a good explanation for that. Dr. Nelson asked John if he only wanted the

Elementary students per class. John stated Elementary because the Middle School and the High School you can't get one; it's not relevant. Dr. Nelson agreed that it would be more difficult; some of the more advanced classes tend to have lesser kids or sometimes greater than regular classes. John stated he had subbed where there were only 8; it doesn't equate.

Chairman Sordi stated that Dr. Nelson may not be able to answer it tonight, may have to answer it next time, but he has looked at the Report Card for April of 2010 and there's a lot of metrics in there that talk about costs and performance scores, daily student attendance, external suspensions and post-secondary education. Dr. Nelson stated it has a little bit of everything in it and if you carry it around with you, it will answer most of the questions people ask. Chairman asked if there were other metrics or measures that is gathered in order to determine whether or not you are doing enough for the students. There has been a lot of information in the paper over the last month or two about how the School is not doing enough and we need to spend more money. The question always is are we spending the money effectively, not necessarily do we need to increase it or decrease it, but the Budget Committee is always trying to make sure that we are trying to spend money effectively and there are some comments where the School is not doing enough for students, there are others saying we are doing too much. Do you ever follow the students afterwards to gather information about what they thought could have been done more or less, to find out how to improve the school to make it more effective. Dr. Nelson stated yes, they do and in saying that we can always improve and can always get better, but he believes they do a darn good job now. First of all, they have gone through an accreditation and received one of the highest accreditations for a secondary school from the accreditation institution. They are the School of Excellence, the secondary School of Excellence in the State of New Hampshire last year, the only High School to win that twice, 2000 and 2009; have taken the drop out rate and have gone from having the highest in the State at 7% to, and he is going to guess, they are going to be close to .5% kids dropping out. They know for a fact that kids who drop out of High School earn \$10,000.00 less per year than those who have a High School Diploma. Who do you want in your town; who do you want paying your Social Security; you want those kids who are doing better. He thinks they are doing a darn good job of preparing the kids; they do survey kids and, as a matter of fact, they had the Task Force for Student Success bring in some of the drop out kids just to have the kids talk to them about what they could have done differently in order to make it work for them and they have made a number of those changes as is indicated by that drop. They are one of the State's leading drop out prevention School Districts and he is awful proud of that and awful proud that education is important to the people in this Valley.

Bob Drinkhall stated that last Wednesday he asked Dr. Nelson if there was some way that we could compare the success of the students for the 15 years because the different tests have changed over the years so we can't compare apples to oranges; did you come up with anything on that. Dr. Nelson stated no, the only thing he could think of, and it won't be a true measure, is to take a look at the SAT's and just use maybe the Verbal and the Math piece. As you know, there is a third part to it now,

the Writing piece. If you take a look at the total SAT scores, it's inflated over the last few years, not inflated but it does have another component. The KNEECAP Tests have changed, they haven't been around for 15 years; they don't have enough students taking the ACT's; that would be the one indicator and he did not know what kind of validity that would have right now. Bob asked if they could possibly put together the 15 years on the budget totals. Dr. Nelson stated that's easy for him to do and would get that to the Committee; it's the other one that he was not sure if they could have an accurate response on. Bob further stated 15 years of budget, 15 years of enrollment, 15 years of staff minus Administration and 15 years of administrative staff and the last one would be a comparison on the SAT's. Dr. Nelson stated he was not sure that was going to be good and that he would like to spend a little more time looking at that to see if there is anything they have that can give us a better indicator. Chairman Sordi asked when did they change the SAT's. John Edgerton stated they change them all the time. Dr. Nelson stated maybe two or three years ago; it used to be Verbal and Math, that's what we all took; now they've added the Writing component which he thought was good to do but when you want to go back 15 years to look at it, you're not comparing apples to apples anymore. Chairman stated he wanted to make sure he had it right: 15 years of budget, enrollments, staff minus admin, admin staff and, if possible, comparison of SAT's. Chairman asked Bob if he wanted to have the number of students taking the ACT's and Bob stated he did. Dr. Nelson stated he did not know if he would be able to get that; but you do want to look at 15 years of assessments somehow and Bob agreed. Dr. Nelson stated that was going to be a tough one; the others he could come up with.

John Edgerton stated two things; one, on keeping students in the school and trying to get the drop out rate to zero, he didn't think that was realistic; there are people who fall out of society and fall out in High School; zero is impossible. The military won't take the SAT's anymore; you have to put up with what it takes to get a High School Diploma or they won't take you. Dr. Nelson stated he has had Board members tell him the same thing: don't set that as your personal goal. John further asked if there was any statistic or information on how many students graduated from High School actually graduated from College or have professions. Dr. Nelson stated they have some longer term surveys and he'll take a look at what has been done most recently; that's a tough one because it sends out 4, 5 and 6 years and you don't even know where they are; that's a tough number to come up with but he will talk with his Guidance people and see what they might have at least over the last couple of years. Chairman Sordi stated you must have an Alumni Association as part of the High School and Dr. Nelson stated they do have an Alumni Association and how much they go into that he didn't know. Chairman stated his High School has tracked him up to here. Karen Umberger stated 33% is the national average of kids that enter college and graduate. John stated the thing that is blowing him away is the change from male to female ratio; right now it's 58% female and the engineering schools have gone from 3% to 25%. Women are going to rule the world whether we want it or not.

Doug Swett stated this Committee has got credit for a lot of things Dr. Nelson and the School Board have discussed; in other words, he has heard people stand up and state they didn't know why we need a Budget Committee

in this town at all and members never even got a budget until tonight and he hadn't seen anything in the papers straightening that situation out. This Committee has been blamed for the asking of 1% or \$1.5 Million and you enjoyed it while we sit here and get hammered. John Edgerton stated we got blamed for your zero budget. Janine McLauchlan stated we aren't writing the articles. Doug further stated when a man that's well educated gets up and walks out of a room saying he didn't see why we need a Budget Committee and he's looking back at us and we haven't even seen a budget, Doug was not too impressed by that guy and didn't care where he went to school. Dr. Nelson suggested that maybe Doug should take that up with him.

Bill Masters stated on the common assessment program in the Report Card, there are four levels of proficiency and he was looking at Levels 2 and 1; the students in those categories where the program is carried out year-to-year and it indicates Level 2 is partially proficient and Level 1 is substantially below proficient. Assuming that the testing is in both Reading and Math, do you track those students from year-to-year to see whether they improve and are the kids that are below proficiency in Reading, for example, or Math, are they promoted to the next level, say a 3rd grader to a 4th grader when they haven't mastered the proficiency for the given subject matter. Dr. Nelson stated first of all, they do track all of the kids and any kind of retention which they don't look too fondly on, it's not something they like to do, is a decision that is made between the Principal and the parents of that particular child and that's how that occurs. Retention hasn't proven to be the best approach to that. Some of the approaches would be remediation in particular areas; that's why they track the students and, especially with their testing situations of the present day, they are able to drill down to what those assessments are and find out just where the student is not getting it in a particular subject. When the Elementary Principals come, it would be a good question to ask them as well because they will have their own slant on that. Bill stated he had a sense for that and he kind of looked at it and seems to agree that some of those factors have increased in terms of total population, being the students. This is under the 2010 Report Card and his question really boils down to is if a child is put on the system and they can only read the 2nd Grade level and taking a proficiency test which is worded at the 4th Grade level, are we not setting up those children for failure. Dr. Nelson stated he would go back to his statement before; they would want to find out what the student is not doing, what he/she is not getting and deal with support in that particular area so that they don't get set up for failure. Bill asked if there were any records of the kids that have been in these two categories, what the drop out rate has been. Dr. Nelson stated no because they haven't had those around that long yet.

Karen Umberger stated following up on that question and she thought it was asked two years ago and there wasn't enough time, what is going on, there were all these plans for the Junior High and that was supposed to help the kids as they went through to High School, get better foundations and be more successful, and we asked the question that none of the kids had really gotten to the 10th, 11th and 12th Grade, and she thought they were about at that point where they have actually gone to the 10th or 11th Grade; the ones that first started in the Middle School; those kids

should now be in the High School. Dr. Nelson stated the evidence of that would be to take a look at the drop out rate again; it means those kids are more successful. Karen stated she was not worried about that end of the scale of students, but rather what's happened to the middle level student and the upper echelon student, has that shown an improvement because of the way we've treated the Middle School in the test scores that have occurred since we've had the Middle School. In other words, she has read in the paper that we need to stay with four teams because it does such a good job preparing the kids to go into High School and so on, but she didn't know where the evidence is that demonstrates that that has indeed created something very positive at the High School level. Dr. Nelson stated he thought it was wrapped up in what you see going on at the High School; the High School is doing really well. The one area that they know they want to focus on is the SAT scores which haven't been kept up to par and he knows Neil (Moylan) has got some things in place to deal with that. That's a question you will want to ask him. You'll see that there has been and will continue to be an increase in kids taking advanced placement tests, kids being successful in advanced placement tests and advance placement classes.

Chairman Sordi thanked Dr. Nelson for coming in.

APPROVAL OF MINUTES

Karen Umberger moved, seconded by Bob Drinkhall, to consider and accept the Minutes of September 29, 2010, as amended. In favor: 9; Opposed: 0; Abstain: 0.

Bob Drinkhall stated on page 3, last paragraph, last line, "\$500.00" should be "\$500,000.00".

John Edgerton moved, seconded by Bob Drinkhall, to consider and accept the Minutes of October 20, 2010, as amended. In favor: 9; Opposed: 0; Abstain: 0.

Bob Drinkhall stated on page 14, second paragraph, line 12, makes no sense: "The conclusion that he drew with some of the comments Ms. White made is that we can't have a good education without cutting the budget and he disagrees with that." Recording Secretary advised that is what was said and Chairman Sordi stated if that's what he said then that's what he said and leave it at that.

Bob Drinkhall stated on page 14, fourth paragraph, line 12, should read "... can't afford a 20% increase ..."

Bob Drinkhall stated on page 15, first paragraph, line 8, should read "... Town portion is only 27% of the entire budget."

Bob Drinkhall stated on page 35, third paragraph, third line, makes no sense and he wished to add "... the lights in non-business and non-intersections ...".

Bob Drinkhall stated on page 36, first paragraph, second line, made no sense and he wished to add "... he has just received on the budget."

Bob Drinkhall moved, seconded by John Edgerton, to consider and accept the Minutes of October 27, 2010, as amended. In favor 8; Opposed: 0; Abstain: 1 - Joe Mosca.

Joe Mosca stated that on the first page he is listed as being "Absent" and he should be listed as "Excused"; Chairman Sordi agreed.

Joe Mosca stated on page 2, first paragraph, third line, "... but at minute 133 people ..." should read "... but at minute 133, people ...".

Joe Mosca stated on page 3, last paragraph, line 6, "June 1st" should be changed to "December 1st".

Joe Mosca stated on page 9, eighth paragraph, first line, "... if you set if for 3% ..." should be changed to "... if you set it for 3% ...".

Joe Mosca stated on page 11, second paragraph, line 23, "Tuesday" should be changed to "Monday".

OTHER BUSINESS

Chairman Sordi stated that he wanted to make sure that everyone was up-to-date: on November 3, 2010 the letters that the Budget Committee put together to the Board of Selectmen, the Police Commission, the Board of Trustees, etc. were sent out; on December 1st the letters went out to the various entities in town, various precincts and the School Board, etc. about meeting with us.

Chairman Sordi proceeded to review the schedule to make sure that there would be a quorum for the upcoming meetings. Linda Teagan will be gone until the end of January and Janine McLauchlan will be out the week of the 15th. For the meeting on January 5th: Chairman, Karen Umberger and possibly Bill Masters will not be in attendance; Joe Mosca will need to Chair the meeting. For the meeting on January 10th: Ray Shakir, Karen Umberger and Janine McLauchlan will not be in attendance. For the meeting on January 12th: Karen Umberger and Joe Mosca will not be in attendance. For the meeting on January 17th: Janine McLauchlan and Chairman Sordi will not be in attendance. For the meeting on January 19th: Janine McLauchlan and Chairman Sordi will not be in attendance. For the meeting on January 24th: Janine McLauchlan, Joe Mosca and Chairman Sordi will not be in attendance; Chairman asked Karen Umberger or John Edgerton to chair the meeting that night. For the meeting on January 26th: Karen Umberger and Chairman Sordi will not be in attendance. For the meeting on January 29th: all members should be available for the meeting with the non-profits. Chairman advised the Committee will deal with the schedule beyond the 29th; have the 31st, the 2nd and the 7th set aside for "to be determined" and he imagined that at least one of those dates will be set aside for the School budget issues and maybe one more will be needed for the Town. The Public Hearings are on the 9th of February and the Deliberative is on the 7th and 9th of March.

Chairman Sordi stated to make sure everyone is on the same page, for each of the budgets, for Warrant Articles we basically approve or disapprove

the Warrant Articles. What are our options for the Town budget and for the School budget; we can approve it, we can not approve it, what else. John Edgerton stated the law says you can set your own value of the budget and it can not be overridden by more than 10%. The basis of that is you can accept the budget as it is presented to us, we can turn it down as it is, or we can submit a figure that can not be overridden by more than 10%. Karen Umberger stated the Budget Committee sets the budget period, whatever that number is. It is nobody's budget but ours. The Town and the School provide us with data to go forward with but once a number is identified it is the Budget Committee's number that goes forward to the Deliberative Session. Chairman stated so we approve it, disapprove it or change it. Karen stated no, we don't approve or disapprove; we establish the number. It's not a question of approve or disapprove, it's the Budget Committee's number and it may in fact resemble the number that came from the School or the Town but it's our number. John stated at the Deliberative Session, we approve or disapprove the final figure. Chairman stated the vote that we take before the Deliberative Session; there was a vote we took last year before the Deliberative. Karen stated that's to present the budget the Budget Committee has approved. John stated at the Deliberative Session, they can not override that by more than 10%. Chairman stated the Default Budget stays the same no matter what and Karen stated that was correct.

Chairman Sordi asked John Edgerton if he wanted to talk about the Franklin statute passed out this evening. John stated basically all he wanted to do was submit it to everybody to read to discuss at the next meeting. This has currently been upheld by the Courts in Concord and in Franklin with a maximum increase in the tax rate. It is very complicated; it is based more on Cost of Living increases. Rochester's was turned down because it set it at 2.5%; it didn't have any flexibility to it. This one had some flexibility and also it sets pretty much a maximum amount of which the taxes can be raised. Chairman stated the members would review and try to comment on it over two meetings so that everybody has a chance to comment. Next Monday Janine, Karen and Ray won't be there so if we extend it over a couple of meetings, that will get almost everyone in here. Chairman advised Karen Umberger that if she did have comments she could e-mail same to him.

Chairman Sordi asked Karen Umberger if she wanted to go over the Memo that she shared with the members. Karen advised that she did not want to go over it. She simple sent an e-mail to Dr. Nelson dealing with the projected health insurance increases and what he has returned is what this is. This is his answers to her questions and she thought it would be helpful if everybody was aware of what she had gotten back and everyone would be knowledgeable of what was provided to her.

Karen Umberger stated that the other thing that she would like to ask is that we have never gotten from the School this year the budget versus the actual spending, like we do with the Town on a quarterly basis. We've never gotten that information from the school; in September they didn't have anything because they don't spend a lot of money from June to September, but we should have the December figure available soon. She would at least like to receive those numbers whether we talk about them or not it's not necessarily as important as having the opportunity to see

where we're going with the current budget. Chairman Sordi asked if that would come from Dr. Nelson or Janine. Janine McLauchlan stated that would come from Carl's office.

John Edgerton stated the law states that they can't spend any more in the fourth quarter than 25% of the total budget. They used to have money left over at the end and they'd spend it on whatever they could to get it spent and they can't go more than 25% for a quarter of the total budget. If they have a surplus at the end of the third quarter, they offset. If there is more there than 25%, they can't spend the extra money. Chairman Sordi stated they gave back \$600,000.00 or \$700,000.00 already off of that. Karen Umberger stated that was last year. Chairman stated so we are now on the new budget and what would happen if some of their expenditures are incurred once a year. John stated they are audited; we don't need to keep track of it, they're audited. John further stated that would be micro-managing and he didn't believe the Committee wanted to do that.

Bill Masters stated the members did get the close out for last year, but that wasn't what Karen was looking for. Chairman Sordi stated he would send an e-mail on that.

Ray Shakir stated he brought up the Retirement situation before and he (Dr. Nelson) said it was a State thing and it's out of their hands, Ray wasn't really familiar with, and wasn't sure if any one else was, the parameters for retirement. Is it a Union/State negotiated thing and once it's negotiated, is it approved by the Legislature; how does that work. Karen Umberger stated there are rules for Retirement, but she didn't know what they were off the top of her head. Ray further asked how was it negotiated. Karen stated it was not negotiated. John Edgerton stated Federal law is the same way. Ray stated so it is all established by the Legislature and that's subject to legislative action.

Chairman Sordi asked if the teachers pay for Social Security. Janine McLauchlan stated they pay into Medicare because everybody does; but no because you have a private retirement, she did not believe they paid into Social Security, that's typically it and members could look on the budget. There are some FICA payments and it might depend on the actual position; she had opened it to non-teaching positions. Chairman stated he knows teachers in Connecticut that don't pay Social Security, but they get a pension that is funded through the State, the money goes to the State and then the State pays it. Joe Mosca stated you can't have a public funded pension system and pay Social Security, you do one or the other; you can be on a private pension system and pay Social Security.

Doug Swett stated sometime last Spring he heard that 20 years ago the Retirement System for the public employees for the State of New Hampshire was in great shape. At that time last Spring, it was between \$7 and \$8 Billion in the hole. Chairman Sordi stated that's pretty common across all retirement systems. Doug further stated there are two or three answers to it looking down the road but these people went to work and we entered this system that probably never should have been initiated anyways. They are going to demand their retirement, they're entitled to it. Doug thought new hires should be put on a different system and he

didn't think anybody working for the government should retire on 20, 25 years; from 25 to 65 is 40 years.

Karen Umberger moved, seconded by Joe Mosca, to adjourn the meeting at 8:40 PM. Motion carried unanimously.

Respectfully Submitted,

Iris A. Bowden, Recording Secretary