

**City Council Workshop Meeting
June 17, 2014**

Call to Order

Mayor Merrifield called the meeting to order at 6:00 p.m. in the Council Chambers, Franklin City Hall. Salute to the Flag was led by Councilor Giunta.

In Attendance

Councilor Dzujna, Councilor Giunta, Councilor Cournoyer, Councilor Desrochers, Councilor Feener, Councilor Starkweather, Councilor Boyd, Councilor Clarenbach, Councilor Barton, Mayor Merrifield and City Manager Dragon.

Mayor Merrifield stated once the school budget is presented, how does the Council want to proceed? Mayor Merrifield asked if the last wrap up budget meeting is needed. City Manager Dragon asked if there are general adjustments that the Council is considering doing it would be good to hold the meeting so that Director Milner would be able to make the adjustments to the resolution before the Public Posting is done. There has been discussion about the school budget so depending on how the school budget is decided this evening in terms fund balance or cutting money from the manager's budget and moving it to the school budget, that clarification needs to be made aware of that before the Monday wrap up meeting. She stated if there is to be an adjustment to the Manager's budget she would like to have some time to take care of that.

Councilor Cournoyer inquired of the school concerning the dietary that it appears they do not go out for bid, they just have a set rate and it does not go out to bid every year and they are paying a lot more than they should for some of their produce. School Finance Director O'Neill responded that they do go out for bid every year and we get at least 3 quotes every year and we buy from the supplier with the best price.

School Presentation of their Proposed FY14-15 Budget

Business Administrator Mike O'Neill addressed the Mayor and Council concerning the proposed budget. Discussing Revenues Mr. O'Neill

commented some of the numbers you know what they will be such as the District appropriation, others have to be estimated. Tuition from Other Leas in New Hampshire will go down which is Hill and even through the rate goes up every year the number of children is going down so that revenue is down by \$63,411. Special Ed tuition has one student the school provides for and that is going up slightly; Adequacy Education Grant is decreased slightly. Last year the number in the budget was an estimate and the total was \$8,079,198 which is a reduction of \$427,469 from the 2013 grant, an estimate was received on the 2014-2015 grant showing a small increase of \$75,437, however, the operations for this year will reflect that the adequacy is down in revenues. There is an increase in the catastrophic aid, Premium Holiday; last year there was a significant payback from LGC and this year we received information that the amount would be approximately \$66,000 and then recently received some additional information that they have to distributed an additional 20 million by August, 2014, which will impact the revenues in the current and a decision has not been made as to how that would be allocated. E-Rate is a reimbursement on the internet side, 79% reimbursement on the internet costs. Medicaid distribution the district has been doing well on that and we are showing an increase of \$10,000 which is probably conservative and will probably come in around \$275,000. Food Service Mr. O'Neill advised they budget to break even. Total Revenues of \$14,945,519 against the budget in revenues for 2013-2014 of 15,178,367 for a reduction of \$238,848 in revenues. What this means is the budget has to go down \$238,848 to break even.

Proposed Budget, Sorted by Object: Mr. O'Neill stated the reason he does this is to show where the big changes in the budget are from year to year. Salaries and Wages are up by \$11,877. Health and Dental is down by \$42,214 due to changes in the census and the rates went down 2 ½%. Other Employment Costs are up by \$74,087 which is all the other insurance costs. Contract and Purchase Services are up by \$52,472 which is mainly outside services related to special education. Equipment Repairs and Maintenance is a line that continues to decrease and is currently \$24,610. Transportation is down \$11,845 and the school is in the last year of their contract with First Student. Out of District and Vocational Tuition is down \$170,517. Postage, Printing, Travel and Liability Insurance is down

\$81,104. Supplies are up \$20,248. Phone, Data and Utilities is down \$52,497 mainly due to a savings on electricity and natural gas. Books, Software and Plato are down \$33,874. New Computers and Equipment is down \$9,491 and Replacement Computers and Equipment is up \$34,225. Dues, Fees and Miscellaneous are up \$5,615 and Debt Service is down \$32,556 due to the end of the copier lease. Overall the Budget is down \$178,276 and Food Service is up \$5,428. The Total Budget of \$15,005,519 which is \$60,000 short of the revenues.

Mayor Merrifield stated that he believes the Manager's Proposed Budget for the District assessment number was \$4,589,969 and he asked if that is correct. Mr. O'Neill responded there was a reallocation. Mayor Merrifield stated what he sees for District appropriations is like a \$54,000 difference on the school's revenue sheet and what the Manager has proposed but you are still \$60,000 short. Mr. O'Neill stated that at the joint finance meeting it was \$114,000 short and it was discussed a possible reallocation which would have given the school the \$55,000. The number being shown here reflects what was discussed in the meeting and the understanding that reallocation would be looked at. Councilor Feener stated what the school was going to have left for fund balance at the end of the year was discussed and the impression was the fund balance would be returned to the school and you were going to go find the other \$60,000. Councilor Clarenbach commented that he had recommended you find capital items in your budget and see if you could actually remove some things from your proposed budget so that could be taken out of capital as a one-time withdrawal. Mayor Merrifield questioned based on our discussion, do we have the right number for District appropriations. Mr. O'Neill stated it appears he should go to \$4,589,969. Mayor Merrifield stated your fund balance can be appropriated for you but it would take place after the year ends and would not be part of this proposal.

Mr. O'Neill stated there are some projects to be considered that have been in the budget for the past 3 years and cut which total \$106,200. Copy of those projects were listed and given to the Mayor, Manager and Council. He commented he is having the same issues with turnover, there has been 19 people have resigned so he stated he is comfortable that he can reduce

the salary and wage line in the budget because of the turnover. He further stated that right now he is \$114,000 short. Mayor Merrifield inquired if that can be covered with new personnel changes and Mr. O'Neill responded yes.

Councilor Feener questioned won't the Premium Holiday Line be increased by \$42,000 for revenues. Mr. O'Neill stated that would be correct and Councilor Feener stated then you only have \$72,000 to cut. Councilor Feener also asked if it is correct that the \$106,000 for projects listed on the sheet are in the budget and Mr. O'Neill stated the bathrooms at Paul Smith (\$38,500) are in the 2015 budget. The cameras for the Middle School it was proposed do them now and remove them from the 2015 budget.

If the bathrooms (\$38,500) are done now at the Paul Smith School, the District's fund balance at the end of FY14 will be \$210,000. And if the cameras (\$25,000) are done now at the Middle School, the District's fund balance at the end of FY14 would be \$185,000.

Councilor Giunta commented the fund balance is down to \$185,000 and he asked what the District's shortfall is for next year. Mr. O'Neill responded with the \$185,000 the shortfall would be \$16,295. Councilor Giunta asked how this would affect the City's budget. Manager Dragon stated she would recommend that allow the funds to drop to fund balance as this is an estimate and we won't have audited, actual financials for a while and then the Council could then appropriate the funds into a capital account or whatever the Council would want to do after discussion with the school. The only restriction we have with that and it is really not a restriction as they could come and ask for the funds to be appropriated into their regular budget if they had a contract, they could ask that it be split between capital and the funding of a contract.

Manager Dragon inquired when talking about next year's budget, if the teachers' contract and the support staff contract which has been approved are added in to the upcoming budget, are there other items in the budget that are capital that can be used by the fund balance. Mr. O'Neill responded that is correct.

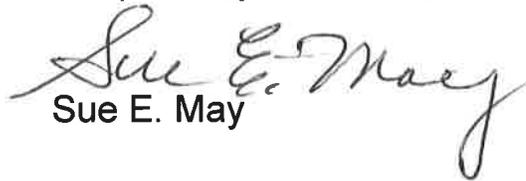
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Councilor Feener commented that concerning the discussion earlier as to whether a wrap up meeting would be needed, Councilor Feener stated it looks like we need to have it.

City Manager Dragon commented in preparation for the meeting Monday, June 23rd, she stated she is looking for some feedback. She stated she has her numbers and they have stayed the same so is there anything in particular that should be looked at or have prepared for discussion in terms of thoughts that the Council has in regards to cuts or possible shift of funds.

Motion to adjourn made by Councilor Feener, seconded by Councilor Clarenbach; all in favor, meeting adjourned at 7:15 p.m.

Respectfully submitted,


Sue E. May