

SPECIAL JOINT COMMITTEE ON EDUCATION

January 14, 2013

4:30 p.m.

The Clerk called the meeting to order.

The Clerk called the roll.

Present: School Committee Member Ambrogi, Alderman Corriveau,
School Committee Member Connors, Alderman Craig,
School Committee Member Staub, Alderman Shaw

Mssrs.: W. Sanders, K. DeFrancis

The Committee addressed item 3 and 4:

3. Budget projections presented by the City and School District Finance Officers, if available.
4. Discussion regarding school chargebacks.

Alderman Corriveau stated if our two finance officers wouldn't mind joining us and presenting us with their budget projections. Would both of you individually like to go over your respective documents and then when you are both done maybe entertain questions? Is that alright with everyone on the committee?

Mr. William Sanders, Finance Officer, stated good evening. Handed out before the meeting were two documents that are regular submissions to the board of aldermen each month. They are on slightly different meeting dates. The first one I was going to talk about was our projection report that we put together once a month and we do it for the second meeting so there will be a new projection tomorrow night for the BMA meeting. The projection letter that I gave you is from the last month in December. Right at this point I would expect tomorrow

night's would be a little bit better than this one. I'll just walk through it. If you turn to the second page, for the School Committee members, I know you live in Manchester and are familiar with the City, but on the City side we operate by departments and department heads have budgets that are appropriated to them just as the School District does. With a couple of exceptions, the department heads have full authority to expend their budget. They are self contained and responsible for their line items. The forecast that I put together is really just on a department by department basis. I don't get into, like Ms. DeFrancis will show you later, and you are familiar with at the School Committee, more of a line item type forecast. In the non-departmentals at the bottom we do, to the extent that non-departmentals become significant, variances to our original budget. We do lay them out this early in the year. The only two that are being isolated are the contingency account which we still have about \$1 million left in as of the end of last month and that will prove to be the case tomorrow night as well. We started the year with \$1.4 million, a little bit north of that, and we have had a variety of things that contingency has been used for, one of which was a \$200,000 transfer to the School District at the beginning of this fiscal year. The other line item is our severance line item for retiring employees that we have laid out there. This is basically the sick time and the vacation days that they are due upon retirement from the City. As we have been reporting for some months now, we have experienced quite a bit of retirement so far in the year, which we can talk about in a bit if you care to. We started the year with a \$700,000 balance in the account. If our forecast holds true, we will spend about \$1.45 million on severance this year so our retirements are quite substantial. We are going to overspend that line item and that is why it is a bracketed number in the forecast. The only other item that I might point out is the Central Fleet Management. I am now moving that up into the departments. It is actually the last department listed. That is with the new municipal complex. One of the primary achievements of the new municipal complex is the consolidation of all of the maintenance facilities for vehicle repair and maintenance across the City

at one site. We didn't have a central fleet management organization last year so we went into the budget process somewhat blind, wondering how it would go. The other thing that we have consolidated is all of the utility costs at the complex. They are not billed directly to Fleet Management so we don't have electricity and fuel oil and all those sort of things spread across the departments that are over there. It is a bigger site, it is more energy efficient, we weren't really sure where that would come out and it looks like, as we anticipated, we would miss their budget by a significant amount. It is about a \$3 million budget and right now we are forecasting about a \$120,000 shortfall coming from the department head there. Then you can see the revenues which are also an important characteristic of the City and the School District. There is nothing really there that I would comment on, except to point out our tax collector's revenues, you can see that we expect to be about \$200,000 better than they were when we did the tax rate back in November. That is primarily due to auto registrations that continue to be strong. They were strong through the end of December so we are optimistic there. Overall, at the bottom we are forecasting, or were a month ago, a net surplus of about \$491,000. To the right of that you can see the negative \$153,000. That means that it was worse than the previous forecast by \$150,000 because the severance account continued to be spent down. Tomorrow I think we will be a little bit better than the \$491,000. We will be up in the \$500,000s even touching \$600,000 and our severance has settled down somewhat in the month of December so hopefully that bodes well. A big unknown in our budget is always the snow and the winter weather. There is probably about \$800,000 or \$900,000 budgeted in the Highway Department for salt and overtime and all the things that go into winter weather. We have had some snow obviously, but it has not been a hard winter. It is not quite as good as last year where we ran about a \$1 million surplus in the Highway Department. Hopefully if the weather holds, all respect to skiers and all, that is a good thing for the City and there would be surplus there as the year plays out. The final thing that we give the aldermen, the third page of that

packet, is the overtime report by department so they can be advised through the date of the meeting, the one tomorrow will be dated January 15th, where our departments are in terms of utilization of overtime. You can see the Highway Department, which is the second to the last line, is \$835,000 of unobligated overtime which is a lot associated with winter weather. That is really it. The cover letter goes through the mechanics of it and things that aldermen had identified in the original budget for contingency that we haven't taken down yet. We set aside \$150,000 for the fleet management operations and utilities, as I mentioned, were only \$120,000; we have an empty police station. On one hand that is a good thing now that we have moved to a new place, but we have an empty police station that we have to pay the utilities for until the date that it is sold and our estimate, which is also plus or minus, probably more than a little bit, is \$55,000 for the next six months. We don't know if that is high or low. We also have a domestic violence prosecutor that has been transferred to the City from the State that we need to transfer some money in all likelihood. That is a monthly report that we give. It is different than what Karen does, but it gives a highlight from the point of view of each department and then each department head can come up and talk about it if aldermen have questions. It has become reasonably accurate, but nothing is perfect in the forecasting world. Some departments are conservative, which is probably a good thing and they don't show a surplus early in the year so we are usually a little light early in the year on our forecast and hopefully they improve as the year goes on and I think maybe that is happening. It seems to have worked well in terms of helping them with the budget and the aldermen using the numbers for budget planning and that sort of thing. The second report that I had handed out was just a one page letter which is the monthly financial report that goes to the Committee on Accounts, Enrollment and Revenue Administration which is also tomorrow, but I included this letter because it went on the agenda last week. It really just walks through the historical information for the first six months of the year, ended December 31st, from an expenditure point of

view, on how we stand. Overall, with the exception of the severance situation, which we have already talked about, we are in pretty good shape. I have included this year, because it has become so significant, our retirement situation to give them a feel for... We have had, through the end of December, about 29 retirements. A year ago we had ten. We spent about \$600,000 more this year on severance in the first six months than we did a year ago. On the revenue side, we are doing well. In the forecast you can see that we expect to be a little bit up, if our auto registrations hold and just sort of explaining some of the revenue information. There is also about a 15 page financial report attached to this thing that goes to the Committee on Accounts, Enrollment and Revenue Administration. I would be glad to get you a copy of that. I wasn't sure you wanted to dwell on that this evening. Those are the two reports that we provide on projections and actual results to the aldermen.

Alderman Craig asked on the revenue section, Bill, it says that school chargebacks are lagging behind by \$1.6 million because of a timing difference.

Mr. Sanders stated yes, it is the timing of the billing that we are performing. It might be that we haven't done some of that work so we are lagging just in terms of the timing of the work, but the revenue overall is holding in very well so I'm sure that we are on budget and it is a lag of billing to the school department.

Alderman Craig asked so just timing of billing?

Mr. Sanders replied yes. They are not late.

Ms. Karen DeFrancis, Business Administrator, in response to that, I would just point out on our handout the last page, we have a financial report and if you look towards the bottom of the page you can see line item 850, City services. The City

services for this year we have budgeted \$9,047,797 and you can see in the next column, the \$2.1 million is what we have actually paid the City. If you follow that line item through, you can see that we are projecting paying about \$6.7 million for a total of \$8, almost \$9 million. We do have it in our budget that we will pay the City services, probably for the same amount that Bill has budgeted on his line, again just a timing difference. To go back to the beginning of the report, we do have a finance committee that is made up of five members of the School Board and they do meet monthly. This report that you have in front of you tonight is the report that I will actually present at our meeting tonight. I did include it because it was public information as of Friday when we mailed it out. The first couple of pages are just a comparison from year to year. On the first page of the letter you can see that we are comparing certain line items from December 31, 2012, to December 31, 2011, just to get an idea of where we stand compared to last year. The next page is a similar type of report for food service and then the next two pages are detailed descriptions of the individual line items and things that I would like to bring to the finance committee's attention for that particular month. If you turn again to the last page of the report which is where the dollar amounts are, I'll walk you through these columns so you have a better understanding of what we have here. The line items, the account numbers, are all of the different line items that we budget starting with salaries. Again these are just summary account. There are a lot of details that go into each of these line items, but this is a snapshot on a summary basis of where we are. The first column of numbers is the appropriation that the Board of School Committee did determine after receiving the final appropriation number from the aldermen. Towards the bottom of the page you can see the subtotal of \$152.4 million. That is actually made up of the original appropriation of \$152.2 million, plus the additional \$200,000 that the aldermen transferred for an appropriation in September so that total would be the \$152.4 million and then in addition to that, we have our encumbrances that were on the books as of the end of last year that we will be paying for in this year's

checks so that is the \$349,000. In total we would spend \$152.7 million this year. The next column of numbers, where it says spent as of December 31st, are the actual checks that were written so that comes right out of our financial system and again, that is by line item. The next column are our encumbrances, so any purchase orders that were actually issued in the system and that is again, by line item. Then what we do is look at what has been paid, we look at the budget and what has been encumbered and then we do a projection going forward. Where do we really think these line items are going to end up at year end? That is what that projection column is. The fifth column of numbers is just taking the spent column, the encumbered column and the projected column to come up with a total spend for each line item. Then what we do for instance, the budget on salaries is \$79.4 million and we expect to spend \$78.4 million so in the far right column you will see that we have a surplus on our salary line item of just over \$1 million. The next line item is our benefits. The budget was \$32 million; we expect to spend \$34 million. We anticipate taking \$1.1 million out of our expendable trust to help offset that over expenditures and that would leave that particular line item at a shortfall of \$960,000. Together, our salaries and benefits are \$113,000 to the good. Again, we might have hired people possibly at higher salaries than expected or maybe brought in additional positions, however, our health insurance is one of the reasons we are seeing our benefits line item go over budget. Those two items in total are showing a positive number of \$113,000. Then we go the same for all of our other line items; we look at what we have currently spent, what our history is and where we expect those line items to be at year end. If you go to the far right column, all the way down at the bottom, you will see that right now, again this is through December 31st we are expecting a surplus in all of our expenditure line items of \$223,000. I did not include the revenue report, but that is something that we also provide to the finance committee on a monthly basis. I have identified in the handout that our revenues are short by about \$289,000 so on our expenditure side we have a surplus of \$223,000 and on the revenues we anticipate a shortfall of

\$289,000 so in total we are still looking at a shortfall of about \$66,000. We do anticipate that by year end, if that number was still at \$66,000 as a shortfall we would not be in deficit because we do have money in our expendable trust for health insurance that can help offset that over expenditures on the benefits line. The other handout that I gave tonight was for the City services just to give you a little more detail on what is included in that \$9 million. That is just a one page handout. I have actually included a five year history so you can see how some of these line items have looked over the last five years. The \$9 million is made up, in this year's budget, of Parks and Recreation that have several services. The first item is for our school and grounds maintenance and that is also for the plowing of our facilities. Right now our projection is \$270,000. The projection column right now is what we anticipate spending. That is actually the budget column as well. It is kind of early in the year to determine where our surplus really will be for city services. Again, as Mr. Sanders had mentioned, it is early in the year and so far we haven't had to do a lot of plowing. Probably in April we will have a better idea of where City services, especially Parks and Recreation, will wind up. The second line item for Parks and Recreation is for athletics and that would be for everything that is related to athletics, which is the maintenance of the fields and facilities, with the exception of Gill Stadium. Gill Stadium we actually have on a separate line item to track those expenses separately. Those are the three items for Parks and Recreation. The Highway Department does the sweeping of the parking lots and then they also do some small paving, filling of pot holes and that sort of thing throughout the year. There is a small budget there of \$5,000. The building maintenance is the largest item on this sheet and that is the repair and maintenance of our buildings. That includes the preventive maintenance and the custodial contract with Aramark so that is the big chunk of that \$5.5 million. The Health Department provides the nurses in the schools. The Police Department provides resource officers in four of our schools, one at each middle school and one at each of the high schools and one at MST. They also provide crossing guards. That

would be \$759,000 projection. We pay Risk Management for the worker's compensation and general liability agent fees. They manage that insurance program for us. For the Information Systems they administer our telephone services. We have a small amount for the Fire Department for the permit fees and again the total is \$9 million.

School Committee Member Ambrogi stated I'm curious about the Aramark contract. Why is that done as a chargeback? Why isn't that not something that the School District just pays Aramark directly? Is there a historical reason for that?

Ms. DeFrancis replied the City facilities division actually manages that contract for us. We don't have a facilities person at the School District who has that type of experience. Prior to me starting here, I have been here about 14 years, the custodians were in-house and I would assume that they went through the facilities division and they reported to them. For the past 14 years, the facilities division has managed the contract for us. Again, they have the expertise and the staff to do that.

Alderman Craig asked what is causing the shortfall in revenues that you had mentioned?

Ms. DeFrancis replied a couple different things. During the last month we were notified by the State that the adequacy aid formula had an error in it and the amount that we were anticipating or expecting to receive for adequacy aid which was \$56 million and change was actually going to be short by \$193,000. We will be reporting that out tonight to the finance committee. That was new for this month's projections. The other projection is in our tuition line item. We are showing a shortfall in revenue of about \$439,000, probably about half of that is due to the Auburn students. We had anticipated a certain amount of students

attending and when we did send out the first tuition bills they were quite a bit less than we had expected and what we had budgeted so that is probably about \$250,000 of that \$439,000. This past month we had received \$93,000 from the State for vocational education. What happens with that, we receive from the State the vocational education in the year after the students attend so the amount that we received from the State was actually for the students who attended last year. The State pays a portion of the vocational education aid and then the towns that send their students to MST pay another portion of it. We had billed the towns last year because we had anticipated the State having a shortfall so we billed the towns last year for that shortfall. When we received the check from the State during this past month, it was actually more than they had said they were going to pay last year so now we have to refund that amount to the sending towns. In the tuition line you will see that since we have to give that refund to the towns of \$93,000 that tuition line revenue shows a shortfall of \$93,000. However, on the vocational aid side from the State we are showing a positive \$93,000. They offset each other, but again, the \$93,000 is part of that \$439,000 that we are showing as a shortfall in tuition.

Alderman Craig asked can someone give us a brief overview of the chargeback process? Why it started? Is it working? Is it beneficial? I guess when I heard you speak, Karen, it is my understanding that if you show a surplus, which you probably want to, it affects our revenue projection, correct? I just want to make sure that this is the right thing to be doing going forward.

Ms. DeFrancis stated I know this question has come up over the past several weeks about chargebacks and we actually reported to the Charter Commission because they had questions on it as well. One of the reasons that I believe that the chargebacks should continue to be on the School District books is because those are services of the School District. We don't only provide education; we have to

provide a school building for the students to be in, we have to provide the nurses and the plowing and all of those things. We would want that on the School District side because when we report to the State at year end on our DOE-25 those costs become part of the report that we give to the State. That report determines the cost per pupil. That report also determines, in accordance with our tuition contracts, what we can charge the sending towns per student. Again, we would want those costs included on our financial statements. When I first started we had just separated from the City and become our own district and at that point in time, prior to that, I believe the chargebacks were being handled by the City. Those services were still being provided, however, the School Board did not have any control over what those dollar amounts would be. Let's say that there was a budget of \$500,000 in Parks and Recreation. If there was a surplus in that line, it wasn't monies that the School District could use, whereas now, with the School District or the Board of School Committee reviewing those line items on a monthly basis, if the School Committee wanted to say that we are having a really tight year and we would like the facilities department to cut back and save us \$100,000 from December until June to cover some other expenditure, say we needed more teachers in the classroom or something, then the Board of School Committee at this point in time has the authority to do that. I think prior to us separating from the City, when we were a department, the School Committee might not have had the opportunity to do that because those accounts were managed by the City.

Alderman Craig stated but to a certain extent, doing something like that would affect the City side in a negative way so I guess I'm just wondering, as a whole, the City as a whole, is this process beneficial. Your take is yes.

Ms. DeFrancis stated although the revenues would be short on the City side the expenditures would be as well so they would have a revenue shortfall, but they would also have an expenditure surplus. I would assume that that would be a net zero to the City.

Mr. Sanders stated it would be as long as those were not in-house employees that we were talking about contracted labor. I would just make a couple of points about City services. I agree with Karen about all of the control of the School Board in terms of the level of services and they can set the expectations. We sign a contract with each department each year about the services you require, but I think retaining control, you can go through the long list that Karen went through from police officers to nurses to the safety of schools, the health of students, all of those sorts of things, the crossing guards, I think it would be a sizable undertaking for the district to undertake it, but I think they should have the control of the service. The one other thing that I would mention about because there was a time that I sat in Karen's chair and on the surface it seems as if the schools should take control of the services, but the management component of it is not to be underestimated in terms of the number of employees that we are talking about, the nurses, the police officers and so on and some of which the School District couldn't employ anyways. Beyond that, just the daily management of it, the worker's comp fees, the insurance, the variety of things that come up, crossing guards who call in sick, the Police Department, probably much to their angst, are responsible for that. If I was on the school side, Chief Mara won't like me tomorrow morning, but I would not want to take on responsibility for the crossing guards. I think that is appropriately managed by the Police Department. The School District is getting the benefit of all of the hiring procedures of the City of Manchester in terms of the certification and the qualification of police officers and crossing guards, all of the background checks on all of the individuals who go into our schools from nurses to police officers to the fellows who drive plows, all the

disciplinary measures, all the employee review process that exist, the department head responsibilities, the police report to Chief Mara the nurses report to Director Soucy and so on. All the Aramark benefits of the training of janitors and the chemicals they use and what is safe and what isn't safe and what is appropriate and what is not appropriate in terms of cleaning schools or cleaning buildings. It is often the case that you say I think I can outsource that and save x thousand of dollars, but I wouldn't underestimate, with the uniqueness of a school system, the importance of the management and the robust support structure in terms of the Human Resources Department and the management of those services by the department heads of the City. I am in the City and I am a department head, but when I was at the School District it also became clear to me that we would need a Kevin O'Maley at the schools. We share that service today, between the City and the school. You could make that case in a lot of situations, the accounting and would Karen need more people in her accounting department if she had all these services? The HR Department and those sorts of things... It is an imperfect situation, but to the taxpayer, the way it is being done, I think it is even between school and City, assuming that the school is deciding what services they want and are contracting for what they want. They don't have to accept what Tim Soucy or Bill Sanders or anyone else throws over the table in terms of services. As long as these are services that the School Board understands, you sign a contract, you have every right to expectations on the level of services and the performance against those expectations and if there are employee issues and other things that is not your problem, which I think, in the educational world, especially in the educational world that you are faced with today, that is a good thing, the fewer problems that you have that are not actually student related. It is a long winded answer. It is \$9 million; it is not an insignificant amount of money at all, either at the school or the City, but it is evenly balanced. I totally agree that it should be part of the appropriation of the School District. If I were a School Committee member I would want it that way. If you have issues with our services you want

to have the ability to control, either financially or legally, to be candid, and I think it is good for the City in terms of the Health Department having access to the health issues in the School District and their planning and that sort of thing. I think that is important. I think through the Police Department to be about the schools I think has a community service aspect to it that I think is beneficial. I think, candidly, for all the City departments to have some interaction with the School District is a good thing. If we were smaller you could outsource plowing and maybe janitorial services, but the size of the School District, I think this is a good plan and I think the School Committee has much authority relative to the services and where the services are provided. While not being responsible for the qualification of nurses or qualification of crossing guards or police officers or any of that.

Alderman Corriveau stated I just want to follow up on something you just said. Explain to me how we incorporate chargebacks into our allocation to the schools. Is the \$9 million in City services, for example in the current budget we are in, was that included in the \$152.2 million allocation? In my understanding it would be and from what I recall, the only separate line item we had was school nurses or something in regards to the Health Department.

Mr. Sanders stated you are correct, it is included in the School District appropriation. I can't really say it that way. The aldermen approve a number and an amount, \$152 million, but the School Board understands that unless they want to go a different direction they are going to have to account for that \$9 million out of that \$152 million. On the other hand I would point out that the City has a \$9 million revenue, the revenues we talked about earlier on the City side. We have appropriations to pay these so the City is fully appropriated to pay all the nurses. The nurses are City employees, they work at the School District, but they are paid by the City, their pensions are paid for the City, their health insurance, etcetera.

Mr. Soucy has a \$2.1 million portion of his budget that is school nurses. We separate that nurse budget from the normal City budget for health if I could mention, but it is offset with a revenue number. If we took the chargebacks completely back in and said the school was not going to pay for nurses anymore, the City would just pay for the nurses, the affect on the tax rate would be identical. If you think about it, the City has an expense of \$2 million and a revenue of \$2 million so we are zero. The school has an expense of \$2.1 million. If we say we are not going to bill the schools anymore, Karen's expense would go away and our revenue would go away, but we would still have \$2.1 million in expenses for school nurses. From a tax rate or an overall appropriation point of view, assuming the services were satisfactory and that sort of thing, I don't see where it would... There is not a hidden benefit that I see from it, actually.

Alderman Corriveau stated Karen, I have a couple questions and they are in relation to chargebacks. Thank you for giving past years. It looks like in the five years worth of numbers you have given us, they remain somewhat steady. It looks like there has been a big yearly jump in terms of school ground maintenance and plowing. That was one item that caught my attention. It looks like over five years, what we are spending on nurses at schools has grown by approximately \$500,000 or it is roughly growing \$100,000 a year. Worker's comp and general liability has grown by \$46,000 in this time as well as, granted it is only \$6,000, but permit fees from the Fire Department. Could you explain how some of these numbers have grown? As I said, the one that jumped out at me was the nurses and the year to year in the school grounds maintenance.

Ms. DeFrancis stated the school grounds maintenance, the majority of that would be plowing. It all depends on what type of winter we had. I would have to go back in my notes and see. Possibly fiscal year 2009 we had more snow than we did in fiscal year 2012 and that could be why you are seeing some of the jumps up

and down in the plowing or in parks and recreation for the school grounds. If you look at building maintenance, if you look at fiscal year 2009, you have \$5.7 million and the projection for 2013 is lower, it is \$5.5 and in fiscal year 2012 it is \$5.4 million. I believe it was for fiscal year 2012 we went out to RFP for custodial services and we did have a good RFP process and we were able to achieve a savings of around \$300,000. That is why you are seeing the building maintenance line go down, because of the RFP process. I don't have the number of nurses in front of me. I would have to check and see if in 2009 we had the same number of nurses that we have now. It is possible that we have added a RN or a LPN at one of the schools. I don't have those numbers in front of me tonight, but I could certainly find out from Tim Soucy what some of those changes would be. Other than that, the Health Department is strictly salaries so if they have consistent staff, if they have the same staff in fiscal year 2013 that they had in fiscal year 2009, I would assume that they are part of the Yarger Decker schedule so if you are not having a lot of turnover in the nurses then those salaries continue to increase as well as the benefits. That could be a reason why you are continuing to see an increase there. It could be that some nurses were added. I would have to check on that. The permit fees, it looks like they have been pretty steady at \$13,000 or \$14,000 so it could be that our projection for 2013 is high. We won't actually know that until year end. It looks pretty consistent that it was at \$13,000 or \$14,000. I don't believe that there has been an increase in fees so you might actually see that line item coming in a bit lower.

School Committee Member Staub I actually am glad that we are having this conversation because when you look at the School District budget, salary and benefits and debt service are the two largest components of our budget and then after that you go to City services which is about 6% of our budget. If you look at something like supplies, it is half of 1% that is spend on supplies so clearly there is no place there to get any money. My husband actually made these nice pie charts

which show how it is distributed. I did have a question for Mr. Sanders. One third of the School District's budget comes from the adequacy grant so when we pay the salary of a nurse, one third of that money would come from the adequacy grant. If that were to be transferred over to the City, how would you make up that one third of that nurses' salary if you didn't have the adequacy grant money coming in?

Mr. Sanders replied I have to think about that for a second. I have only ever thought of the chargeback in the total impact that they have on the tax rate. I know that is a very simplistic way to think about it. I would assume, but it would be a decision of the aldermen and the Board of School Committee and their consultation together that if we had to take the nurse back, if we had to take the whole \$2 million back and just provide the service, I could hear aldermen saying that we will just reduce the School District's appropriation by \$2 million and pay for it that way. I'm not sure that is responsive to your question or not. I don't have any quick way to answer. That is what I would assume would happen. Is that helpful to you? I'm sure it is not a great answer for you. I think if the chargebacks came back to the City that we didn't do it, as I was explaining earlier, if we had to keep our appropriation and lose our revenue, the City's appropriation is going to have to go up by \$9 million. There really is no way around that unless the services are provided in another form by private contractors of that kind of thing. The source of your revenue to pay us is not necessarily a concern to me, whether it is paid with adequacy aid or tax revenue or interest. I know that we have to find \$9 million on the City side. Without having an opinion right at the moment, I could see aldermen saying that we will have to reduce the School District budget; we can't pay for this \$9 million plus give them the \$9 million that they were receiving to pay for this. I would be stunned if that isn't how it played out.

School Committee Member Staub stated I'm also really glad we are having this conversation because, if for example, the School District decided that to mow the lawns on the soccer field less frequently or whatever in order to save money so we could hire another teacher or pay for computers, then that would definitely have an impact on the department heads on the City side because they need to pay their employees and keep those people employed by this money coming in. As you say, if we were to decide to not mow the soccer field what you are suggesting is that since we are not going to be paying for that, the aldermen would probably reduce our appropriation for mowing the soccer field so we won't have money to use for something else?

Mr. Sanders responded it is a good conversation that needs to be had in many places. From the school's point of view and from my time at the school, there is a part of me that is not responsible if I am on the school side for what City departments may or may not have to do. If you tell me not to cut the grass only once a month rather than once a week, then that's it. If I can't find work for the people to do the other three weeks that is my problem and I have to figure that out. That is not the schools' problem to keep people employed on the City side. I keep saying that as long as the services are what you want and they are satisfactory, that's where the rub is going to occur. Stipulating for a moment that that is all well and good and you have options, I don't mean to say that the School District is responsible for City employees at all. If you don't need all the nurses or you don't need as many crossing guards or you find another way to do it, then I think that is a good exercise and I think it is worth the endeavor to do it to demonstrate that it can be done cheaper in other ways and that is the data that is required. That has not been demonstrated. Maybe on the fringes it can be, but the hard things, the janitor services, the custodial service, the resource officers, the nurses... I don't know how that could be demonstrated to be honest with you with the magnitude of our size without additional costs to Karen or the school administration and

administrating fairly complex employee structures and requirements and certification and all of the things and I know that you know how to do that at the School District with teachers, but it is not your responsibility to keep City employees employed. I think it is their responsibility to determine that the services that they are receiving and what they are paying for are what they want and are reasonable. I think the City would work to accommodate that to the best of their ability. At the end of the day if you want to contract with Aramark or Bill Sanders Plowing to do the schools, you can. I don't think that particular thing, the impact on the City side, is necessarily a responsibility except to appreciate that the aldermen... If the services are required and the City is to provide them, the City needs the money to provide them.

School Committee Member Ambrogi stated I have a follow up question. It seems to me that the nursing example is a very clean one. I would imagine that the school resource officers are similar in the sense that those are people who render all of their working time to the School District. The billing for those services is clean.

Alderman Craig stated when school is in session. The resource officers work when there is vacation or during the summer.

School Committee Member Ambrogi stated the driver of my question, and I don't want to ask this in the wrong way, but I'm assuming that the services that we are paying on the School District side, are related to actual hours of work performed. Whether it be plowing or facilities work, we are not just paying a salary for those people, we are paying hourly rates on that work. Is my understanding correct?

Ms. DeFrancis replied yes, it is. We actually receive monthly invoices, the Police Department might send them semi-annually or every couple of month, but from Parks and Recreation we receive a monthly invoice. It is listed by school and the type of work that they have done. Those invoices go to the finance committee on a monthly basis. We don't provide the detail because some of them from the facilities division are 100 pages long. The facilities division provides us with every work order that is being done in our school so on a monthly basis we get an invoice from the facilities division and it will say Beech Street School and it could have 15 work orders that were done from changing light bulbs to repairing a leaking ceiling. All the detail is provided and that is reviewed by the finance committee as well as by the administration. We do receive invoices for the work that is being provided, not just a budget number saying you said you were going to pay us \$9 million and give us the \$9 million at year end. We do receive invoices for them. For the SRO officers we pay 38 weeks as Alderman Craig mentioned, they do work 52 weeks, however, the School District is not paying for 52 weeks of their salary, and we are only paying for 38 weeks when they are in the schools.

School Committee Member Connors stated I wanted to follow on the same train of thought. How are the rates that are charged to the School District determined? When we had discussions in buildings and sites about facilities we were being charged different rates for a light bulb being changed at one school and a light bulb being changed at another school. Could you elaborate for us how that is being determined?

Ms. DeFrancis replied it would be determined by the individual who is actually providing that service. Maybe you have a worker who is at the facilities division who has been there for 20 years so maybe their rate is higher. It is my understanding that it is based on the individual rate of that person. You have a labor cost and then you also have a material cost.

School Committee Member Stewart asked could you say that again? If we get a light bulb changed in one school it can be more expensive because that person in school A has more seniority than the person changing the light bulb in school B?

Ms. DeFrancis replied right because we actually pay based upon the cost of the facility division so they have a work order system and the person, I would assume, and Mr. Sanders can correct me if I'm wrong, but the person who is assigned to that particular maintenance project has a rate that goes along with that person just like the SRO officers. They are not all at the same rate. It is dependent upon what salary they are actually making. We did make an agreement with the Police Department several years ago where we felt that we should not be paying the highest rate, that maybe for an SRO officer we didn't need someone who had 25 or 30 years of service so the Police Department agreed to only charge us, for four of the officers, the first year rate. Even if it is someone who maybe has 20 years of service for those four officers, the School District is only paying the beginning year rate.

School Committee Member Stewart stated so there is a sliding scale; it is not uniform. Who is responsible for negotiating with the City to get the best rate? Is that a School Board issue? Is that your office? Who went to the Police Department and said we should be using SROs with less seniority so it is cheaper for the School District? Who is responsible for keeping an eye on that?

Ms. DeFrancis replied I know that when Mr. Sanders was here as the business administrator he actually looked at waste management and we did go out to bid. At the time the Highway Department was providing the solid waste and recycling pick up. We went out to bid and I don't recall if the Highway Department bid on it or not, but we did achieve services from another organization. I believe we are

using Waste Management now. If we were to look at something, whether it be plowing or nurses, and we felt that we were paying a rate... I would say that that is a School Board issue. During the budget process when you look at the individual accounts or the presentations that we bring forward for those individual line items, if a School Board member felt, and I believe this was actually brought up last year for plowing, that we should go out to bid. I would say that it is up to the School Board and whether or not they feel that these rates... Obviously if the administration felt that we were paying too much for one of these services we would come forward and make that argument, but I think ultimately it would be the School Board that would make the decision as to whether or not they want to continue with the City services or if they wanted to get those services through someone else.

School Committee Member Ambrogi stated I think School Committee Member Stewart's question actually relates to the actual contract. I recall from when I was on building and sites that those contracts do come forward to the individual committees, but the question is, how do those contracts get negotiated?

Ms. DeFrancis replied the contracts have not been, to my knowledge, negotiated any time recently, but they do come forward to the full board annually. Probably in June or July of this past year, on the full board agenda, it would have been the contract for all of these City services.

School Committee Member Stewart stated it strikes me, if we are a consumer of \$9 million of the City services on a yearly basis, we should be able to negotiate probably a pretty good deal for the services that we are getting from the City. I would imagine that is a good chunk of revenue going to the City. Is that correct, Mr. Sanders?

Mr. Sanders replied it is a significant amount of revenue. You put me on the spot here a little bit. I think there is a bargaining position for \$9 million, but as the School Committee members and aldermen have mentioned, there are differing types of services being provided here. An understanding of the cost behind it or what you are prepared to pay for a light bulb to be changed, I would presume that the City would be willing to talk about that. I do think that when they went on a common or level fee for the police officers, I can't remember entirely how that came about, but it is perfectly reasonable request. I think it was readily understood from both sides. I don't know that it is an adversarial situation necessarily, I think it is one of bringing attention to what issues there are and if you want more information how the billings are being done or if you want it to be done in a different way I think they would work through that. On the other hand, I wouldn't want to say...

School Committee Member Stewart interjected speaking for myself, I certainly don't want to complicate the situation or make it adversarial between the City and the School District, but I would certainly want to make sure that if a light bulb goes out at x school that we are getting the most competitive rate for a service of that kind and not paying more money because we are using someone with more seniority or something like that. I would also want to make sure, Karen, on the school side that someone is directly responsible for that, it is in their portfolio and they are being aggressive, not in an adversarial way, but making sure that the \$9 million that the school side is sending back to the City side is being spent as well as possible.

School Committee Member Staub stated I'm looking at a report from building and sites and it is from Parks and Recreation and it is for winter ground's maintenance and there are three columns: labor, benefits and equipment. Does the City charge the School District for depreciation on equipment?

Mr. Sanders replied I don't know. I don't think so. I think that if there is equipment that might be specific to the schools that there probably is some mechanism whereby that is being done.

School Committee Member Staub stated I have seen repair bills.

Mr. Sanders stated to be honest with you, I don't know exactly.

School Committee Member Staub stated there was at least one occasion where there was a price of equipment that was being used for field maintenance that broke and we were charged for the repair of that piece of equipment. I would assume that when school is no longer in session that they are still maintaining the fields and that pieces of equipment might be used for something else so I'm just wondering if we are being charged for equipment that is being used for beyond what it is used for in the School District.

Mr. Sanders stated you would only know by asking and by bringing it up. I don't know the situation. There have been errors. There is a history to the chargebacks; some have been egregious that predate probably everyone in this room. I would have to work that situation specifically. There is no secret letter that says that we are to change the School District for these things. I think when you see the contracts you should feel free to bring your concerns forward and talk about them. I think that is a healthy things on both sides. Customers are very important.

Alderman Shaw stated this idea of if the worker has seniority then the bill is higher is just mindboggling to me. I think this is something that should be discussed as possibly a change in the way that the School District is billed. I know that if I own an electric company and I have five men working for me, if I go to

someone's house and change a light bulb that person is going to get charged for changing a light bulb, not for who goes to the house. I can't imagine that this is legal even. I may sound naïve, but this just doesn't make sense to me at all. I think that this is something that should be looked at and something that should be addressed in this area.

School Committee Member Ambrogio stated it seems to me that, picking up on what Alderman Shaw just said, I think that we are getting to the heart of this matter and I think it does come back to the actual contracts between the School District and the City and I have been thinking and you put it into words that it is a little bit odd when we look at bills and when I sat on building and sites and you look at a bill for City services, typically if I pay someone to plow my driveway I'm not paying a healthcare benefit line, I'm paying for the service that was rendered to me. The fact that we have this history of breaking it down so that we are actually paying the City's exact cost for that individual strikes me as odd. I'm not trying to be confrontational, but I think it is something that we ought to dig into further because it is certainly not an arms length transaction if we are paying the hourly rate and the benefit line of the individual who comes into the school to render the service.

Alderman Shaw stated I think it would be worthwhile for both the School District and the aldermen to see copies of those contracts and to see exactly what the wording is and what is going on with that. I think that is a big issue.

On motion of Alderman Corriveau, duly seconded by Alderman Shaw, it was voted that the contracts between the City and School District on chargebacks be provided to the committee for their review.

Alderman Craig asked when we get those contracts, is there a way to quantify what we are talking about just from a general percentage perspective? Is this a large number, a small number? While we are reviewing the contracts I think it is important to put this in perspective as well. I really have no idea what that is so if you can do that it would be helpful.

School Committee Member Connors stated we were talking as a School Board last year about going to out to bid on certain services. Is there anything that prevents the School District from going out to bid, seeing that the buildings themselves are owned by the City?

Ms. Sanders replied I'm not an attorney, but I do not believe so. I think there is a contract with Aramark which could prove a little complicating in that regard. As Karen mentioned, when I was over there the garbage used to be picked up by the Highway Department and we were charged backed for that. It was immediate when it was done. I don't believe there is anything other than that Aramark contract and there may be something else out there that I am not familiar with, but I don't think so.

Alderman Corriveau stated I would just like to bring up our next meeting. Are we the third Monday of every month? Is that what we agreed to?

School Committee Member Ambrogi replied I believe we are the second. Is that the 11th?

Ms. Maura Leahy, Clerk's Office, replied yes, February 11th is the second Monday.

Alderman Corriveau stated it is my understanding that tonight Dr. Brennan will be unveiling two budgets.

School Committee Member Ambrogi responded yes, preliminary budget numbers are going to be presented.

Alderman Corriveau stated if it is agreeable to members of this committee, perhaps all members of this committee could be provided with those documents between now and the time of the next meeting and that maybe one topic on our agenda for our February meeting will include not only a discussion of the school chargebacks and contracts issue, but also discussion in regards to Dr. Brennan's proposed budget. Is that agreeable to everyone? I guess we'll ask the clerk to make note of that.

School Committee Member Ambrogi stated I think going forward, this issue of digging into these contracts is important because we don't know the detail of how much each one is, but we do know that they in total add up to \$9 million so I think there could be some fruitful information that we could draw from that.

Alderman Craig asked for the next meeting are we going to have Ms. DeFrancis and Mr. Sanders here? If they are going to be here this evening I can ask or if they are going to be here next month it can wait.

School Committee Member Ambrogi stated if they are willing to come next time it seems to me that it could be quite helpful.

Alderman Corriveau stated I think we probably should have them back at our next meeting considering we are going to be discussing the school chargebacks and the school budget. We will certainly need Ms. DeFrancis here and quite possibly Mr. Sanders.

Mr. Sanders stated I just wanted to mention that if you were going to get into an in depth discussion on chargebacks that I think there are department heads within the City, beyond Ms. DeFrancis and myself, who can best answer some of those questions. Kevin O'Maley comes to mind on some of that or Tim Soucy to discuss the nurses or wherever you might be going there. Maybe you want to engage them over a period of time where you do two this month. I can't speak for the Health Department or you wouldn't want me to. The details of charges are beyond us.

Alderman Corriveau stated we may want the city solicitor at our next meeting if we are going to be looking into contracts. I think it would probably be a good idea to have him here to assist us in legal interpretation. In terms of individual department heads, maybe we can wait until we see the contracts to determine who we want to have here.

School Committee Member Ambrogi stated I think that makes sense.

Alderman Corriveau stated I think maybe at our next meeting if we can have Ms. DeFrancis, Mr. Sanders, Solicitor Clark or Solicitor Arnold and then we can go from there in terms of individual departments.

Alderman Shaw stated I think it would be a good idea to have Kevin O'Maley though because his is a big portion.

Alderman Corriveau stated the \$5 million out of the \$9 million. That would be fine with me if he is the first one we start with and then maybe if we need to move to the Health Department or the Police Department, Parks and Rec. Maybe we should start with facilities.

Mr. Sanders stated I would also ask the department head. I would have Mr. O'Maley, but also the department head. You are making decisions; you are not just asking questions. The department head should be knowledgeable of that.

Alderman Corriveau stated for our next meeting we will have Kevin Sheppard and quite possibly Kevin O'Maley, the city solicitor, Mr. Sanders and Ms. DeFrancis all available to testify.

Alderman Craig stated there has been a lot of discussion in terms of timing of the School District getting their budget. I understand that people on the school side want to get their budget as soon as possible and I can understand where that is coming from, but from the City side, in my same breath, it is difficulty to do because we are waiting on revenues from the State and car registrations so we know what is going on. I just wanted to ask you, Mr. Sanders... I am also concerned about separating our budget, whether we would be approving a City side first or the school side first, but separating those it makes me a little nervous. I was wondering if you could speak a little bit about what your opinion is on that.

Mr. Sanders stated recognizing that everyone wants their budget early, I don't think that is just here in Manchester, but also in our personal lives when we all want to know things sooner rather than later and I think everyone would like to do that, but it is an important decision and it has an affect very quickly, and you all know that. In these forecasts that we put together numbers change quickly and number move and events change and revenues go away and sometimes they

appear. I'm not saying go to June 30th, but absent some compelling reason why we should draw a line in the sand and cut loose a budget to the School District or to the Health Department or to the Finance Department, separate and distinct from the entire budget of the entire City and School District, I'm not convinced about it. I think that if one gets a budget sooner than the other and their uncertainty manifest themselves that are shortened revenues and shortened issues the entity that does not get an early budget is not going to bear 100% of the burden of that because once the aldermen approve a budget to a department or to the City or to the School District it cannot be changed. I also think that when people have, and I don't say this critically, but I think it is a fact that when you still have skin in the game you are still interested and you are still talking and you are still interested in figuring it out. When someone has their budget, be it the City or whatever, we give the school whatever we can or vice versa and I think there are issues that we are facing now in this new world of the tax cap require immense seriousness and immense determination. The clock ticks and the calendar moves is interesting, but I'm not really persuaded that the aldermen, who I advise... I think the budget should be approved in total. It is not going to be easier; it needs to be dealt with all at once in my opinion and approved that way. I think separating it would be a mistake unless there was an extraordinary reason. Teacher contracts and things are not terribly persuasive to me and I think they should be changed to not create artificial problems in deriving with the City's budget for its schools and its plowing should be.

There being no further business, on motion of Alderman Craig, duly seconded by School Committee Member Staub, it was voted to adjourn.

A True Record. Attest.

A handwritten signature in black ink, appearing to read "Matthew Normand". The signature is written in a cursive style with a long, sweeping underline.

Clerk of Committee