SPECIAL MEETING

BOARD OF MAYOR AND ALDERMEN

In Joint Session with Board of School Committee
(Called by Mayor Baines)

March 12, 2003 **7:00 PM**
Memorial High School
One Crusader Way
(Media Center)

Mayor Baines called the meeting to order.

Mayor Baines called for the Pledge of Allegiance, this function being led by Alderman Osborne.

A moment of silent prayer was observed.

The Clerk called the roll.

Present: *Board of Aldermen:*
Aldermen Gatsas, Guinta, Sysyn, Osborne, Pinard, Lopez, Shea, DeVries, Smith, Forest, and O'Neil (late)

Board of School Committee:
School Committee Members Stewart, O'Brien-Thayer, Donovan, Herbert, Labanaris, Gross, Dubisz-Paradis, Beaudry, Cote, Ouellette, Perry, Kacavas, Kelley-Broder, and Healy (late)

Absent: Aldermen Wihby, Garrity, and Thibault

Mayor Baines advised that the purpose of this special meeting is for a general presentation and discussion of the School district budget.

Mayor Baines stated as you know this is such a significant part of the overall City budget that I thought it would be important to have a preliminary view of this budget as we head into budget presentations. As you know the first phase of it will be my recommendations, which will be coming forth within the next couple of weeks and then the entire Board of Mayor and Aldermen, with the Finance Committee, will be dealing with the budget during the months of April and May and into June. At this time I'd like to turn it over to the Superintendent of Schools and the Vice-Chairman of the School Board Leslie Stewart, and the Finance Chair Tom Donovan.

Superintendent Dr. Michael Ludwell stated I thought it might be appropriate to give the community just a couple of minutes of this administration's point of view relative to finances. And I think Committee Member Donovan and Ms. Stewart will be presenting the proposed budget to you. And I really want to share with that that it is as conservative a budget as possible. I do see it as I call it a steady state. It's a budget that is; there is no fat. It's a budget that's intended to maintain the schools absolutely at the level of service that we currently provide. I would also like to share with both the Aldermen and the School Board that hopefully what I would like to present to you in the future as far as fiscal responsibility, are as hard numbers as we could provide. If we find an error, we intend to share that with you, whether it's in the negative or the positive. We do not intend to inflate any numbers, nor do we intend to hide any numbers. I see this as an opportunity, for my prospective of serving the community, and I cam glad to see the School Board and the Aldermen mixed together, because I really see all of us serving the community. And that is all you will get from the administration of the School District is a budget and financial reports that are as accurate as possible and that are intended solely to provide the best quality education possible for our students. I felt it important to preface the rest of the proposal by those comments. With that I will turn it over to Ms. Stewart.

School Committee Member Stewart said good evening and welcome to Memorial High School's new library media center. I think as you look around the room you can probably see the impact that such a wonderful design can make for students in terms of their learning and their feeling about how they can learn. So we welcome you here. Last September the Board of School Committee met in a retreat and we came up with a number of goals, but three of those we have been working on all year long, and I want to highlight those for you. The first is that we wanted to get the tuition agreements signed and implement the School District wide renovation and addition program. Known as the design/build program. Up until last evening I could have said that we were 100% on the way there. Unfortunately we had a glitch in the road, but we are taking a detour and will move down that path as appropriate. Secondly, we want to improve student performance, including test scores and to make sure that we address all the requirements of the no child left behind law. Having said that, from the Municipal Association we learned that for every $77.00 that is given to us on no child left behind dollars, the School District is spending about an additional $550.00 - $575.00 on average per child. Quite a challenge for us as you might imagine. Finally, our third goal is to adopt the alternative education programs of the district so that we can reduce the dropout rate. We've been able to do a little bit to that end this year and the past program, which Jim Shubert runs at the Manchester School of Technology. Up until this point it always had only 60 students in it, but he told us he had a waiting list of between 30 and 50 every year. And in January we addressed that by adding an additional teacher, thus allowing 30 more students to be in that program. Our proposal addresses these goals in a number of ways. And to reiterate what the Superintendent said, we are looking at a steady state budget. It allows for no new hiring except for the investment, and back to our goals again, of

$200,000 for alternative education, including dropout prevention and the start of a gifted and talented program. Dropout prevention is really high on our list. The State reported about a month, month and a half ago, the average dropout rates in Manchester was well near the top of the list and that's not acceptable to us. We want to address it and as I mentioned, we just starting addressing that in a number of ways. Including this afternoon some people from the School District and the City meeting to talk to a group called City Year who could come into the schools and help us with that dropout prevention by giving us some extra guidance on the middle school level. The budget includes two fewer positions overall than in the current fiscal year. Our administration proposes a $128.5 million dollar general fund budget to achieve these goals, a 6.1% increase over the current budget that we're in. I should add that this proposal has yet to be submitted to a vote by our finance committee or our board. We plan to work on that later this evening, and last week after we hear your comments. With that I'll turn it over to Committee Member Donovan.

School Committee Member Tom Donovan I hope you can follow along with the sheets that we've handed out and there are a couple more for people in the audience, I believe all Board members have a copy. So why does a steady state budget come with a 6.1% expenditure increase, you might want to know. We see four main drivers of increases. The first one is a 21% increase in local special education spending. As you know the hope had been when congress in the 1970's adopted special education legislation that it would fund that mandate. It has not and at current levels the federal government funds are 14%. We, as you see further in the slide, that is a big driver of our budget. We are also facing a 22% increase in health insurance spending. We're using a 20% increase based upon the preliminary numbers we've received from Blue Cross/Blue Shield and the City. We've added an additional 2% increase to that because we're finding that with the economy decreasing we have more and more usage by staff members of our health plan, and using at higher enrollment levels. That's where that additional increase comes from. We have a 17.6% increase projected in school bus payment to the MTA. We haven't negotiated a contract with them yet. We have a one-year contract with them now and we're negotiating. That is something that we're working on, but among the reasons for that size of an increase from the MTA, is we have a lot of older buses and they've been after us to replace buses, and we've deferred that this year. We are not sure we can defer it any longer. Finally, is something that you people might be familiar with, that's City services that are provided by City departments to the School District. Whether it be police officers performing services in our schools, or school nurses provided by the Health Department, or snow plowing provided by Parks & Rec. or the field maintenance provided by Parks & Rec., or janitorial services provided by Building Maintenance Services. We're projecting those increases to go up by 5.8% next year. Committee Member Donovan continued stating you have a couple of slides before you and the first one deals with the increase in our special education costs. If you note, the copy that you have is just a little different, and more user friendly than is what's on the screen. But it shows how the local funding for special education costs has risen from $17.3 million in the fiscal year 2000, and it's projected to be $10 million dollars almost higher in the upcoming

fiscal year. This is a big part of our budget, and this is our local funding. There is a small offset from the State for this by way of catastrophic aid and we do get some Medicaid reimbursement. Actually we have a couple of clerks who work full-time in getting Medicaid reimbursements for health oriented parts of it. This is a hug increase, and as you can see we're projecting at 21% increase in it. Committee Member Donovan noted that the next slide talks about health insurance. And you know as well in the City side how that has increased year upon year, and you can see the 22.4% increase projected. We've got a $13 million projection for next fiscal year that's better than double what we spent in fiscal year 2000 for health insurance. This is another difficult area for us. The next slide you'll see the City services that are provided the School District. You see the various amounts, requests that were made. We did get some menu of services from various departments. We had their wish list, we had steady state services if you will, and we had opportunities for cutbacks. We opted for the steady state mode and what you see with the steady state mode is a $7.9 million payment that we would have to make for City services. Over half of that is in building maintenance. Which is provided by the Highway Department/Building Maintenance and some of that is subcontracted out to Service Master, actually the bulk of it is. And you note that the Police Department, we have once again we've removed one DARE officer from the budget as we did last year. In the Health Department budget has restored 1.5 FTE's in order to make a….2.5% budget increase for health, we'd have to let go of 1.5 school nurses and we decided not to do that. On the building maintenance you see the plumber item, they recommended to us several options for additional staff, which we didn't agree with. We felt based upon a recommendation that because we have additional square footage, including this library, and two new kindergarten additions, we need additional building maintenance staff and we decided to add one position there. A plumber, just to maintain services and that will relieve some maintenance services in other areas. That's how we got to the number we did $7.9 million. The next slide shows what the effect is, and I'm going to ask Ms. Stewart to talk about that. What the effect of these non-classroom increases is having on classroom activities.

Committee Member Stewart stated as you can see from the chart, a few years back we were spending nearly $1.4 million for textbooks and that amount has been going down from year to year. We currently have middle school science that has adopted a new curriculum, but yet we've not able to afford to purchase the textbooks. Also, elementary health, and we're about to look at elementary social studies. In addition to that, we're budgeting 150 new students next year that come in on a variety of levels, but each year our textbooks have been woefully under funded for the last two years, and then this coming year we expect that that will also be under the same situation. As parents, many of you who've had children going through school or do now, you know that regardless of computers textbooks are still the core of what we need in terms of educational materials, and those are at a point where it's starting to be critical where we need to address those. We've also just adopted at the Curriculum Instruction Committee a four-year plan for a total revitalization of curriculum every four-years. And that will meet standards, in terms of what we need to do for student achievement.

But if we can't adopt the textbook series to go with that curriculum, there's no sense in doing the curriculum adjustment. We really need to keep those right up to date.

Committee Member Donovan added, the next slide shows student enrollment. You see that we've over the past 12 years had enrollment increases over each year. The 2003 number, we count enrollment at October one of each year, so that is projected for October one 2003. We're projecting a 150-student increase. That's a mid range between two studies we get every year. Nesdic study and NH Office of State Planning. Committee Member Donovan continued stating the next slide you see 2004 budget scenario one version 5. That is our working budget that the administration is going to present later to our Finance Committee for a presentation and also for comments from the Board of Mayor and Aldermen, and we're looking forward to hearing some input. This is by object code. This how we typically look at our budget on a month-to-month basis. On the left side is the FY04 projected amounts. You see the FY03 numbers and then FY02 actual. As you can see there are a lot of zero percent changes projected for next year, and you can see some of the larger increases, which includes regular ed transportation. The tuition line you see, that's expenses. That's tuition for special education students we have to send out of district. We're projecting for that to go up a lot. The maintenance projects were attempting to restore to a level closer to what we've had historically, but it's still less than what the Highway Department wants us to spend, $750,000 a year on that. As you can see we're not planning to spend that amount. The single largest line item is salaries. The single largest component of that is teachers and we're going to be going into negotiations with them, and I not that we representatives of the collective bargaining unit here, so I'll just leave it at that. Committee Member Donovan stated on the next page, you see how many FTE's, full-time equivalent positions, we have in the school district by category. As has been mentioned, you can see from FY02 to FY03 there was an increase and that increase is explained by an increase in teachers. And if you recall, we mentioned to you last year at budget time, that we had a contractual obligation to provide an additional prep period for elementary school teachers. In other words, they had to have an additional period off during the day to prepare for classes. That required us to hire teachers. We created 16 positions for that to fill that spot around the district. We hired health teachers and that became a special subject for them. That's 16 of the positions. There's one additional art/music teacher. There are a couple of teachers that were hired mid year at Memorial…you may have read about that in the newspaper, because we have many classes with over 30 students at the high school level. The biggest crisis is at Memorial High School, where…Dr. Ludwell added there were 301 sections that were exceeded 30 or more students. Committee Member Donovan continued the crisis was most apparent at Memorial, so we two of these positions relate to that. That's what are reasons were between FY02 and FY03, and you can see the projection for FY04, is to be steady state. To have two fewer positions net one additional teacher position and that is part of Dr. Ludwell's attempt to have a start of a gifted and talented program, as part of his alternative education initiative. The next chart, we are going to start talking about revenues. How do we fund the school district budget. And it may surprise some people to see that only 52% of the school district's budget

for general fund comes from the property tax. That's a combination of the statewide and the local property tax. We're able to get a lot of funds from other sources. The State Adequacy Grant, which is our state aid, is an additional 35%. This is for our current fiscal year. Tuition revenue is 10% of our budget. That's tuition we receive from surrounding towns to send their kids to high school here in Manchester. I know that's a subject of some interest of late, but that is, as you can see, 10% of our overall budget, 20% of our non-property tax budget, and with the departure of Bedford from the scene, that will mean that that percentage will likely decrease and that will mean that we'll need to become more relied upon the property tax to make pie whole. If you recall that of the tuition revenue that we receive, 30% of it goes into hiring additional staff; teachers and whatnot; teachers that are used to teach those additional students. But 70% of that tuition revenue goes to pay for heat, lights, football coaches, principals, that we would need to have anyway. When we lose tuition revenue, we have to find additional tax revenue to turn on the lights in this library, to pay the heat, to pay Mr. Anamakis's salary. That'll have to have increasingly from property tax dollars. The other portions of our school revenue, as I mentioned before, we get a small amount of reimbursement from the State for special ed, catastrophic aid, plus Medicaid, and then 1% is other revenue. The next slide shows what our general fund revenue projections look like for the coming year. On the left-hand column you'll see the FY04 budget projection of how we would get to the $128.5 million level. You compare it with the FY03 budget, and FY02 actual numbers. For purposes of this presentation we're assuming that the Adequate Education Grant, that's our State grant we get every year, is going to remain steady state. Dr. Ludwell and the Mayor have been receiving conflicting signals from Concord as to what Manchester should expect this year. If you recall, when the State Department of Education released its adequate education numbers for the coming fiscal year, it said that Manchester was going to get $44 million, a $2 million increase. We've had a change in administration since then in Concord and the information was those amounts are going to be frozen at the levels that they were for FY03 and FY02. And that's the amount we've placed here, $42 million. We've also heard that there are several bills in Concord, which would target aid to needy communities, and Manchester would certainly be a beneficiary to that. But for purposes of this budget we're assuming that nothing good comes out of Concord in terms of adequacy education grant, so that's what you're looking at and we're hoping we'll get more information later. You can see the other numbers going down. The tuition number that you see is tuition revenue. We calculated that on the assumption that all the towns were going to sign onto the new joint maintenance agreement, so we haven't changed that, but this was created on March 10th before the vote in Bedford. That is basically an explanation of the revenue side. Up at the top you see the State tax that's the statewide property tax. You seeing it going up from '03 to '04 from $29 million to $32.8 million. My understanding is that the statewide property tax rate isn't going to change, it's still at $5.80 a thousand, but the equalized assessment for Manchester is being increased by the State, and more revenue will get generated on that side. Then the district assessment at the bottom would be the local property tax unless there's some other revenue that gets found. Committee Member Donovan continued next we have a couple of historic slides to show you

trends with respect to education spending in Manchester over the past few years. The first one is one you might remember from last; it's been updated. This goes back about 13 years and shows what Manchester property taxpayers pay per student in our school. And we inflation adjusted that to $2,002. So you can see from 1989 to the 1998-99 fiscal year the numbers bounced around from between $4,500 to $4,900 per student, per year. About $4,700. That's tax payments only, that doesn't include other revenue. When the Claremont money became available, the tax payments made by Manchester taxpayers dramatically declined to around $3,200 a pupil. So the Manchester property taxpayers has been paying much less per student since then. You can see there was a jump up in last year's level and we can talk about that because that includes surpluses, so actually that number may end up, the 2002-2003 may end up being less depending on what level surplus we have. The statistics I had before came from local sources. This came from our property tax and our budget. This next slide comes from state information. The State Department of Education keeps data about what each school district around the state pays per student. We have to fill out a form called the DOE25 every year and they ask us to supply information on operating cost, not capital costs, just operation costs, how many students we have, etc. It's all categorized and they run it through computers and then the State publishes how much per pupil is spent in each school district around the state. You see the top line going from the statistics I had available only went back to 1997-1998. But you can see over the five years available to us, the State average per pupil operating cost has gone from $5,700 up to $7,200. That's the top line on the graph. Manchester's always been less than that and the number started at $5,071 in the 1997-1998 timeframe and rose to $6,200 in the 2001-2002 fiscal year. So the difference between the State average per pupil cost and what Manchester spends per pupil has increased from about $700 below average to now where we're running over a $1,000 below average. Then you see below that where you have rank from bottom. There are 74, now 75 school districts in the state that have grades 1-12 education, and we compared of those 74-75 districts that are like us and that they have 1-12 education, where do we compare in Manchester to other school districts. And you can see in the 1997-1998 year, we were eighth from the bottom. Last fiscal year we were fifth from the bottom. I think this shows that we are not a profligate school district, in terms of what we spend per pupil. The information on the next slide again comes from the State. And it looks at tax rates for schools and municipal services. Unfortunately I wasn't able to break out city versus county combined. But the bottom line on that chart is the state average for city/county tax rates and this is based on equalized valuation. You can see it started around $8.00 a thousand and goes to about $7.00 a thousand. Manchester's as you might expect has always been higher than that. We're a city. We provide more services, police, fire, pickup, etc. That's the purple line you see on the chart and that started out a little over $14.00 a thousand and now it's about $12.00. This is based on equalized valuation. So you can see we've always been about $4.00 a thousand higher than the statewide average, based on equalized valuation. With schools it's a different story. The greenish mark shows that we were over $17.00 a thousand for schools back in 1997 and 1998 and 1999, and we were slightly above the statewide average for what we paid in taxes for our schools. Actually I think I have that

wrong. But then you see that the statewide average…no I have it right…the statewide average for schools went down over time to the point where its just under $12.00 a thousand. But you can see more dramatically the school tax rate in Manchester has gone down quite a bit. It used to higher than the City tax rate and now it's lower than the City tax rate. Committee Member Donovan moved forward with the next slide we were asked by the Mayor to provide an alternative scenario for our budget with a 2.5% increase and that's in front of you. A 2.5% increase would result in a $124 million budget for next year. That would be a $4.3 million cut. You heard Dr. Ludwell speak earlier that he was proposing a steady state budget with no cuts in services, the projection for cuts based upon 2.5% budget, would be a 90 to 120 teach staff plus 25 support staff. You might ask how that would affect teaching and learning. We mentioned that we had over 300 class sections at the high school level over 30 students, we expect that number would go up quite a bit. We expect that class sizes would go up quite a bit at the elementary level. We also are concerned that with the increase in class sizes at the elementary level, we may lose some federal funding that we have obtained over the years for class size reduction, in other words we can get teachers for class size reduction, but we can't…if we don't reduce class sizes, then we lose those additional teachers. So it can have a compounding affect. Also, what we haven't calculated in here is the fact that we will…if we do have riff teachers, there's the unemployment compensation problem, which apparently we have to pay out at current funds. I'm not an expert on that, but that isn't a dollar amount that was…over a million dollars, so that's something we haven't come to grips with. The final slide is school food and nutrition services. This does not involve any property tax revenue. It's a combination of federal and state reimbursement, and student payments for meals. They're on track to be under budget and in the black this current year and we project…and we're proposing a similar budget for next year, but it won't impact the property tax rate. Committee Member Donovan added we are here to have a discussion, to answer questions, and we understand this has never been done before. We requested to have some opportunity for discussion before we took any votes because we thought that would be most helpful. Instead of people just talking at each other. Here we are.

Mayor Baines asked if there were any questions or comments from any members of either board this would be a good opportunity. This is preliminary and was request of the Finance Chair that we have this kind informal meeting. So this would be a good opportunity to ask some questions or raise some issues.

Alderman Lopez asked if you could explain a couple of things so that I completely understand. The number of federal money that you receive covers how many teachers in the school system and at the same time, could you go into just a little bit more detail, if 90 teachers were laid off, as to how the school system…how you would see the school system. And could we operate and still…and I'd like the superintendent to answer to that particular question. Could we operate and still maintain educational standards. Then I'll have one other question for Committee Member Donovan.

Superintendent Ludwell advised on the first part I'll have to get back to you on the actual number…the entitlements largely involve Title I, the reading teachers, and I don't have that number teachers in front of me, and I'll get that to you. The second part is, when you're looking at a number, keeping in mind that the district right now employs approximately 1,200 teachers. So if we're talking anyplace between 80 and 100-110 teachers, it's going to have a significant impact. We've talked about looking at spreading that over…approximately half of those elementary and half secondary, 6 through 12. The secondary level we're also challenged by the fact that it has to be by discipline, and obviously we want to maintain accreditation, so we do have to have a certain number of language teachers, science teachers, math teachers, A P courses, etc. At the elementary level one of the other things we're looking at is…I've just been told we have 101 teachers through the federal entitlement programs. The second part of that is at the elementary level, do we want that across the board, K through 6, or do we want to really perhaps emphasis maintaining lower class sizes K – 3, where obviously the three R's are so critical, reading, writing and arithmetic. And perhaps make the cuts a little bit heavier at the upper grade level. And quite frankly those are determinations that are still being contemplated. I would anticipate, though, perhaps at the secondary level the number of classes above 30 doubling. I would anticipate at the elementary level, and again I'm sharing that this is something we're struggling with because we want to provide the best education possible. At the upper grades, perhaps the numbers going up at 30, for fourth and fifth, perhaps third, fourth and fifth grade levels. It's going to have a significant impact.

Alderman Lopez asked Committee Member Donovan if you go back to the total school operating cost per pupil. Comparison to the State, as you indicated, we have the largest school district in the state, so naturally our budget is going to be different comparison to every other school district in the state. I'm trying to understand in how your comparing this with the State numbers versus what we do in Manchester.

Committee Member Donovan answered you're right. There should be some economies of scale in a larger size district. I don't know how much smaller Nashua is than we are, but we spend less per pupil than Nashua for instance. And we spend less per pupil than Concord or Portsmouth and Claremont, and we even spend less per pupil than Franklin and Berlin. Communities that are traditionally seen with less economic opportunity than the communities in the southern part of the state. So you're right, there is probably some affect from economies of scale, but I still think that we're not near the middle of the pack.

Mayor Baines posed questions for other members of the Board.

Alderman DeVries stated the question I had, you were talking with transportation that you would need to update some of your regular education buses, that they were old and needed replacement. I'm comparing back though the regular education from the 2002 budget

through the 2003, in this proposed budget; you're first version 5 proposed budget. I don't see a dramatic change in that number, so I'm wondering if you could explain further. It looked like in 2002 it was $1.4 million, 2003 $1.7 million, and 2004 $2 million. Is that number including bonding or is bonding somewhere else for the purchase of the buses. To explain that 17.6% increase.

Committee Member Donovan advised I'm not the bus expert but, I know part of the story and perhaps the Superintendent can help with some other… There's a new and very good management company now at MTA and they're looking at all their costs. And when they came to us at the end of last fiscal year there were substantial increase that they were able to demonstrate to us and we ended up paying for…actually they wanted a two-year contract with us and we declined because the two-year cost increase was just too much for us. Part of the problem is, we pay a rate per bus. We have more buses now than we have before and that's another issue we have more non-public school buses, which also increases that budget line item.

Alderman DeVries stated I guess what I'm looking for is the explanation of the increase that you explained in the proposal at the glance. You actually said that the four points that were increasing, the 17.6% increase in school bus payments…

Committee Member Donovan advised the line to look at is 510 on the object code list and you'll see it right there in terms of dollars. That costs money and that costs time. Another case in point, just yesterday we received a request from another non-public school. As you recall there's a law I think that dates back from 1937 that we must provide transportation for non-public school students, and for next year that's going to require an additional for 50 students, and an additional two buses. So we have all that cost, and don't quote me on this but I think it's something like bus cost run is $175.00 a day times number of days, times the purchase of two additional buses.

Alderman DeVries said the other thing that concerns me in the budget if I hear from my constituents one thing, it's their concern for the supply items, the availability or lack thereof, as well as the current status of equipment and textbooks. I think you've covered textbooks, but I'm concerned with the…even in your wish list, the supply line doesn't appear to… Committee Member Donovan stated first of all there is no wish list in this budget. I am very concerned about having to cut off supplies in November or December. Very concerned about that. Second I need to share with all the people sitting around this table that we are, we have established it to go through the Curriculum Committee a curriculum adoption. I was very concerned when I started in September, well I started in July, I got a request in August or September, and the Board had to act on it, and we had two requests from the high school for textbooks…I forgot the amount, it was well over $100,000. These were science textbooks from the high school and they were dated…the only reason we replaced them was because they were out of print. They were 1986 and 1987. And to me as a community that's

unconscionable. I will share as I started a couple of seconds ago that we are on a curriculum cycle, as far as revising the curriculum, adopting the curriculum. Now I have to be very honest that every time you adopt a curriculum that means you buy a new textbook series. That textbook series has to be K-12 it cannot be as we have done in the past a 6-8, a 9-12, a K-5 or whatever. Every textbook adoption is going to cost roughly, depending on the area, some areas i.e. Language/arts are move expensive than others. But every curriculum adoption is going to cost approximately $800,000. That is not in this budget. However, if we are going to be a good school district, we have to anticipate you folks have to anticipate an $800,000 textbook adoption budget item every year. And that's just to maintain our school system.

Alderman Shea stated my first comment is, I'm glad to see, I don't know the actualized, a gifted and talented program. I don't exactly what level you plan it on. Could you elaborate slightly on that.

Superintendent Ludwell advised we all know the literature says that approximately, keeping in mind that we have 17,500 students, we know that the gifted/talented population nation wide approximates 3%-5% of that population. My intent is to merely get a foot in the door. It would not be exclusion; it would be an inclusion kind of program. It would be to at least identify a gifted/talented educator who could begin developing materials to provide educators with those resources. And that would at the elementary…at the high school you have gifted talented service through things like AP courses, etc. But my intent would be to begin at the elementary level.

Alderman Shea asked how about a foreign language at the elementary level.

Superintendent Ludwell answered he would love it, it's not funded under this budget.

Alderman Shea continued its not funded…is there any anticipation that in future years you would begin to introduce…

Superintendent Ludwell advised I guess I should share also that we could not as a community maintain a steady state budget. If we're going to grow we're going to have to grow fiscally as well as curriculum and that would have an impact on the budget. Could both boards anticipate a request for that in the future? Yes.

Alderman Shea asked if you were to make a distinction between teaching health to children from 1-5 or introducing a foreign language 1-5, which of the two preferences as Superintendent would you select.

Superintendent Ludwell answered well that's a Solomon's decision, isn't it. I'm going to probably wiggle and say they're both important. I think for some children in our community

health is critical. Critical. I think for other students in our community foreign language is equally critical. As you know, college admissions require, now they backed off in the 70's and 80's, but for the last several years, at least two years, is required…and we also know that the earlier children are introduced to a foreign the language the easier it is to master.

Mayor Baines asked Dr. Ludwell you said was it 5% of the population? Superintendent Ludwell asked gifted/talented?

Mayor Baines answered yes.

Superintendent Ludwell answered 3%-5%.

Mayor Baines continued do you know what it is for public officials?

Alderman Shea continued there has been discussion in the past about the health benefits and the fact that…my understanding of course is that the health benefits are negotiated separately by the school department and the city government. Would it make sense to try to combine, if it were possible, acceptable, to combine so that the City employees as well as the school employees would be under one type of program. I'm not sure but I'm asking your response to that.

Superintendent Ludwell answered sure. I think that's something we're investigating. However, if you look at the demographics of the school department and the employees of the school department, compared to the employees of the City department, the demographics are somewhat different and the use of insurance coverage is different. And given the demographics of the school department, that has allowed us to maintain a slightly lower insurance cost than on the City side. I will share that we're wide open, and I've shared that with the union, and the insurance company knows that we will investigate and are open to all options.

Alderman Shea noted one more comment, or concern, is when you mentioned that there would be overcrowding at the elementary level because of the fact that, if in fact there was reduction in your budget, would it make sense to possibly look into a redistricting kind of situation whereby there would be perhaps more children at the, we'll say school X, rather than an overcrowding school Y, and therefore, in order to accommodate, particularly at the lower levels, the fact that there should be fewer children. I'm talking about the fourth and fifth grade level. So, obviously if that were the case, and there would be a need to reduce the amount of teachers it would probably make sense to try to redistrict, in order to accommodate that. That's my comment in that regard.

Superintendent Ludwell advised and this as I have tried to share with everyone around the table, this as I see it is a factual, there are no threats in here, there are no guns to the head.

This is a factual budget proposal. If we have to make reductions in force, reductions in staff, the first area that we would look at is the central office. The second area would be support staff. The final area would be teaching staff, and every effort would be to maintain teaching staff at the highest level possible.

School Committee Member Dubisz-Paradis asked would I be correct in saying Dr. Ludwell that you have directed our principals to submit budgets for their requests for supplies much lower this year for next year.

Superintendent Ludwell answered no; it was a steady state. We requested them to submit budgets that were the same or similar to this years, as far as supplies.

School Committee Member Dubisz-Paradis continued so their requests have not come in yet for this budget though, correct?

Superintendent Ludwell answered oh no they're incorporated in this budget request.

School Committee Member Dubisz-Paradis continued and so you feel those principals all have adequate, they will have adequate general supplies for their schools. All of our schools in Manchester.

Superintendent Ludwell answered no, I said this is a steady state budget.

School Committee Member Perry noted Superintendent Ludwell you had stated that on Object Code 641, looking at, I think you had budgeted for $700,000.

Superintendent Ludwell answered yes.

School Committee Member Perry continued what is the impact of the curriculum, annual curriculum fee on top of that $700,000.

Superintendent Ludwell answered, first of all the current administration became aware that we as a district needed to revisit curriculum adoption revision. We now have a cycle, as I mentioned earlier. That will cost $800,000 a year. That is not in this budget. That will begin two appear before this body next year. This is…it does include for example I believe $150,000 for middle school social studies, it includes replacement texts. It includes rebinding of old textbooks. It includes I believe workbooks at the primary level. It does not include any across the board district wide curriculum adoption.

School Committee Member Perry asked just to look at the number, if it were in this budget on Object 641, that number would be somewhere between $1,300,000 to $1,500,000.

Superintendent Ludwell answered I think that's a good guestimate.

Alderman Smith addressed Dr. Ludwell in regards to the total budget what's the percentage of negotiated in mandatory programs. Do you have a certain percentage of your budget? Mandatory programs like salaries, benefits and transportation, so forth. Those mandatory programs. Do you know what percentage of the budget that would be.

Mayor Baines noted sort of like fixed costs I think he's driving at.

Superintendent Ludwell noted I have calculated…I can tell you rule of thumb, fixed costs are approximately 10% of your budget. But I haven't calculated that out, and I've got a feeling I don't quite have a handle on that question.

Alderman Smith commented no, I don't think you're understanding the question.

Superintendent Ludwell asked give me a follow-up so I understand.

Alderman Smith noted what I'm asking for, you have mandated programs and I want to know the percentage of your mandated programs, and other benefits such as salaries so forth. What percentage of 100% in your budget does that go…because I know you have some fixed costs and so forth, but I want to know what the percentage is.

Superintendent Ludwell answered salaries are I believe in this budget, I believe they're going to approximate about 74-75% of the budget, for salaries and benefits. And again I think Committee Member Donovan pointed out the other two just driving…if you look at whatever screen on special education, keeping in mind we are trying desperately to reduce that, but if you look at the historical trend on special education, that' s almost doubled in the last 4-5 years. One of things we're looking at in special education, because that basically is a fixed cost, it's mandated, it's a federal mandate, under 94 142. We don't have a choice. If that is written in a student's IEP, we must supply that service. One of the things we do have a choice about, is how do we provide that service. And currently we have many, many students who are, we contract out and that services is tuitioned away from our district. Next year we're already looking at bringing in two areas, two services, brining them back and servicing them in Manchester and we believe if we can begin and maintain that and increase that, that we will recognize as a district, and as a community a significant savings. Currently we're looking at hopefully bringing back on a piloted basis secondary 9-12 educationally handicapped programs and autistic programs.

Alderman Smith asked Dr. Ludwell if you're assuming all these costs, I would say you're up to around 84-85% of your total budget, would that be correct.

Superintendent Ludwell answered that could be correct.

Alderman Smith continued and that doesn't give you much room to maneuver for textbooks.

Superintendent Ludwell answered OK I know where you're going now. Now let me give you the other rule of thumb. Those fixed costs as far as salaries, benefits, mandated programs, generally run, in fact if you look at the management letter I believe that the auditors submitted two years ago, 82-84%. Then if you look at the additional, the fixed costs I was mentioning, as far as gas, oil, etc. Utilities that's another 10%, so generally you have only wiggle room of discretionary funds of about 6%.

School Committee Member Herbert stated my question is on the salaries in particular, from last year, what are we projecting for an increase. The reason I ask this is because we're coming off a three-year contract with our teachers. It's currently under negotiation. So what are you projecting.

Committee Member Donovan stated we're not going there because that's going to be a matter of negotiation. We have some ideas frankly, but I think it wouldn't be prudent to talk about what we have in reserve, if anything.

School Committee Member Herbert continued I'm trying to draw attention to the fact, seeing how the largest components are salaries and related health benefits. What was the phrase why he robbed a bank, he said that's because that's where the money is. In our budget, that's where the money is and I would like to ask, both of our contracts are up for negotiations. In other words, where teachers and obviously the health benefits as well, and I was wondering if the City is in a similar situation at all. And if somehow under the current circumstances if there can be some sort of concerted effort to a meeting of the minds so that we can control the costs that…I think the health benefits are going to be up 20 something percent, if left alone. And I'd like to…in my opinion the last thing I want to do is start laying off teachers a put us in that kind of position, and the best place to go after the money, outside of riffs, which are never a good idea by the way. Laying teachers off is always a horrible idea. Is to go after salaries and health benefits…so I was just wondering if anybody's got any kind of plans as to making the money up in those two line items.

Mayor Baines commented it remains to be seen doesn't it.

School Committee Member Herbert added so nobody has plans, in other words.

Mayor Baines stated we do have a negotiation strategy we've been using on the City side. We have settled with several unions and we've asked for concessions on the insurance side. We've received it from some of the unions. That has been a position that the Board of Mayor and Aldermen has established.

School Committee Member Herbert asked that's public knowledge.

Mayor Baines answered yes; we've settled some of the contracts with concessions with the insurances.

School Committee Member Herbert asked Committee Member Donovan is that information available to you. In other words…

Mayor Baines answered yes they know what the City's position is.

Committee Member Donovan answered yes we know all of that. School Committee Member Herbert asked does the amount of money put I here…

Mayor Baines stated again I don't think you should pursue that line of questioning Committeeman Herbert.

School Committee Member O'Brien-Thayer stated I'd like to make a comment in support of Dr. Ludwell's comments about special education. As we all know the special education costs are growing. All I can see is that as of ten years ago Manchester had one of the worst records in the state for compliance for special education rules and regulations. And I think to support your own statement could you just give us an idea of where Manchester stands now. Do you have any idea. It was well known and we used to keep tabs on which cities and which towns were definitely out of compliance.

Superintendent Ludwell stated I obviously can't speak to the historical. I can share that I think we're in much better shape right now. I think one of the things I alluded to just a few minutes ago, I think the more that we can bring students back from contracted services, from sending them away, tuitioning them out and paying those very high…many times it can be $40,000 to $80,000 per student, and we can services those students needs in district, that's a benefit not only to us but I think to the student and to the family.

School Committee Member O'Brien-Thayer added that was the number one problem in the past is that Manchester did not have the resources, the teachers that could provide those services and that's why the costs were so high. And then many times parents were very upset because the children were given the wrong type of services in the name of special education. And of course that led to many due process hearings, etc. But, I think we're on the right track now by trying to bring specialists in.

Alderman Gatsas stated just a follow-up from Committeewoman O'Brien's questions, I asked this question four years ago and I guess I'll ask it again today, seeing that there are some new people sitting in front of me that I can ask the question of. Four years ago I asked

the question "Why would not Manchester look at special ed and the transportation of special ed students as a revenue source throughout the whole state? To set something up in Manchester that we could control the cost of special ed and not only that but take students in from other districts." I asked that question four years ago when that number was about $5 million and I ask it again today four years later, and that number is close to $9 million.

Superintendent Ludwell advised I think before we get to revenue generation we have to get to cost containment and my first step is containing the cost. Ideally in the back of my mind is that a goal for this district to…and I really don't think of it, I guess I should, as generating revenue with these students, I think of it more as providing a much more cost effective program and services. And so yes sir we are indeed looking at that. It's early stages but that is certainly is something that we're looking at.

Committee Member Donovan followed up I certainly would be in favor of bringing more students in…we do in the deaf and hard of hearing program, we bring in revenue and students from other districts. It would be good if we could do more of that. There are two constraints we have currently. One is space. You need space to conduct those programs and we are at a premium for space. The second thing is you need capital. In order to start up…any of you who are business people know that you need some capital and you're going to run losses perhaps in the first couple of years and I'm not sure how we would fund that type of entrepreneurial start up business in this type of climate. But those are two challenges we face, but we're going to be looking into…the Superintendent mentioned two areas, the emotionally handicapped and the autism program.

Alderman Gatsas continued I was hoping I wasn't going to hear that answer from you because that's the same answer I heard four years ago. And I think that it's time we start looking outside that box and not looking for excuses because in the entrepreneurial world we don't look for excuses we go out and do it. So to find the space and come back to this board or the Aldermanic board, with a solution to a problem, and if you say it costs $5 million you can generate X amount of dollars in forecasting, then that's what I think you would do. Because anybody can sit there and say we don't have the space, we think it might be a loss, and how are going to finance it. Those are all things that anybody can put on the table, but I would think that objectively looking to create that is a different outlook, we would go forward with some different ideas.

Superintendent Ludwell responded I believe if we go back to my concept of cost containment, cost control, that in itself will generate some revenue that would allow us to pursue this. This is not…and I wasn't here four years ago, but I do believe Committee Member Donovan and I are on the same wavelength as far as, we have to look at special education, we have to look at controlling those costs we have to…and I think it's very critical as a community to bring our students back to our community and service them in our community. And I do believe that will be very cost effective.

School Committee Member Ouellette stated I would just like to respond to that because as Chairman of the Curriculum Instruction Committee the C&I committee is very cognizant of that also. And I would just like to announce to the table that this has been coming up year after year and my last meeting with Dr. Ludwell we had very good discussion and we asked Karen Burkish to come up with a plan. At least the ball is rolling and we're starting to come up with new ways, innovative ways in special education as to how we can service the students more cost effectively and actually get a better bang for our buck. So at the next Curriculum Instruction Committee meeting, which is March 24th, we're going to hear a proposal from Karen Burkish and her thoughts of how we can begin the process. It's our first step forward. I think it's a great step forward and it's something that I think we're going to hear a lot more from this administration in the years to come.

Alderman Shea stated I notice John Gatsas in the audience and about prior to Alderman Gatsas mentioning four years ago, he mentioned six years ago or so, buying something on Industrial Park Drive and having the people who are now special needs students, who are now staying over in different communities in Massachusetts at a price of $120,000 to $100,000, buying that facility and housing them there. Is that what you mean when you say that you're going to be cost effective in terms of bringing the students back, because many of them that have to be brought back are overnight students, they're not students that are there on a daily basis. They're kept on a weekly basis. Is that the kind of cost effectiveness you're talking about.

Superintendent Ludwell stated journey of a thousand miles…yes it is. Do we start with identifying students that we can service in the district, maybe in existing classrooms or space within our district, and expanding that out…yes. Is that a goal, is that a long-range goal…yes it is.

Alderman Shea asked when you speak of students being outside our district, do you mean that the students that are outside your district are coming back in the evening, or do you mean the students that are outside your district.

Superintendent Ludwell advised it could be either.

Alderman Shea noted the point is that the cost effectiveness would be in both areas but most especially if we had the facilities to have the students stay hear.

Superintendent Ludwell answered yes, that is correct.

School Committee Member Dubisz-Paradis stated I was going to say the exact same…very similar to Mr. Shea's comments. Approximately six years ago on Zachary Road we had the opportunity to buy two buildings. An excellent top-shape business administration building

and also a facility that we could have purchased, I believe it was $3 million at the time, and I don't know how much it went for, but unfortunately our Mayor at the time, did not want to deal with this property at all. And this would have been an opportunity for us to deal with these special ed, and our administration building that we have now could have been used for different items and have the business administration even move out there. We had thought perhaps gifted and talented. There was plenty of land out there and it was really a shame, because the Mayor did not want to do anything with this property, and we would have benefited by it. Not Mayor Baines but our previous Mayor and I totally regret that he did not want to go forward with this.

School Committee Member O'Brien-Thayer stated I'd just like to say I think Alderman Gatsas idea is a fabulous idea for this school district. My only concern, and I asked him this questions, maybe you have the answer Mayor Baines, is that these children that are going to private schools, whether they be boarding schools or day schools are cost the City a tremendous amount of money. Obviously they are not being mainstreamed. Now if they come back into the City, are we going to be bound by federal laws with mainstreaming. Is that what you mean by the cost Committee Member Donovan that we would need more space in all of the schools because you would be bringing tuition students in from surrounding areas as well as servicing our own special needs students and they would have to be housed in a public school building, like a high school, an elementary school. Or those of us that are natives remember the Franklin Street school, where all of the special needs children, whether it be the hearing impaired, the blind, learning disabled, whatever, they were in that school and a wonderful education was provided, but the federal government has stepped in and they have demanded…mandated that we have this mainstream, which I frankly don't agree with in all instances. But that's my question. Because it's a wonderful idea. I think it would bring money to the City, plus as I said before the problem with Manchester is we've never hired the specialists that could deal with these various disabilities that students have. But are we going to be constrained by the federal laws if we go looking into this program.

Superintendent Ludwell advised we are already constrained by the federal laws and the two terms you'll hear over and over again are FAPE, which is a free and appropriate public education, and LRE, which is the least restrictive environment. Regardless of whether…let me say this, the IEP would determine the placement of that child and instead of saying I see this as a continuum. There are some students that are best served in a separate environment and there are some students who are better served by being included in regular classroom environment. It's not an either or. It really depends on that individual student's needs. And I think currently the district, our community, is providing the gamut anyway, so I think the challenge to us is how much of that can we absorb as a community and provide that services ourselves, instead of paying somebody else to provide it.

School Committee Member Gross stated Alderman Gatsas makes a good point and as the number grows for special ed and considering the fact that 85% of our costs are direct costs, an area like special ed is an area where we need to look at in order to save dollars and he needs to be aware of the fact that in the last year that has been an emphasis in Russ Ouellette's committee, it's an emphasis with the Superintendent and I think most of the Board is on tract with trying to look in that direction. I think when the Superintendent talks about cost containment as being the first goal before you can start a profit center, I think that's very relevant. A lot of times today we're spending money for contracted services for individual IEP deficiencies where students are going to Bedford, a private location let's say in order to get services, and we're paying that contracted rate, which is a lot higher than hiring salaried people. What has to be considered though is when you look at this budget in the future, if we start shifting some of the special ed money over, the salary number will come up. You can't have both. If you hire specialists, they're going to be salaried specialists, and to be hones with you, some of the specialists are quite expensive and difficult to keep. We're trying to find speech pathologists right now; it's a tough thing to do. So we need to foster an atmosphere in the school district that the City is behind quality education and behind making sure that the staff is highly motivated and feels good about staying here in Manchester. Because when we get a good speech pathologist, for example, we need to keep them and we have trouble doing that right now. The whole atmosphere of looking at space in a positive sense, doing things like this great library that we've added at Memorial, that helps us retain staff, helps motivate staff and we need good staff to come here. It's not easy to attract these people. Some of these people make a lot more money doing exactly the opposite. Working for a private company and billing us. It is area we need to work at. The fact that Karen Burkish is out putting proposals and going to be making proposals is good. In all the years that we've had everything we've had in the school system, it's nice to see that we're starting a gifted program. We are starting a gifted program, how many years have we tried to do that. It's nice that we're looking to bring back the contracted services. That we're improving the dropout in the past program. And these are small dollar things. These are not things we're doing that we're spending huge dollars on. It's very, very small numbers but they're positive steps. This administration, this school board is in step. We've been in the black. We've turned over $700,000 in the black last year. We'll be in the black this year. We're being fiscally conservative and yet we're doing the best to provide the best services we can. So we hope we get support in this upcoming budget and we're glad you guys came and are asking really good questions. I am very impressed with the questions that are being asked from the aldermanic side.

Alderman DeVries asked Dr. Ludwell if I recall, I believe it was the management letter that was before us last fall, there was a recommendation in that to put aside a rainy day fund for the health insurance being self insured, and if I understand on the school side you basically tried to project a dollar amount for what utilization might be and you hope that your utilization comes in close to that dollar amount. Did I understand that correctly. Superintendent Ludwell answered I believe the management letter the audit stated to

establish to trust funds. Both of $500,000; one being for special education and the other for I believe insurance. As I understand that was not acted on or approved. Would I absolutely encourage that? Yes. Would this body expect to see that in the future? Yes. Are we financially to the point that we can address that? No.

Alderman DeVries followed up this current year are your insurance projections coming in true to utilization. I think I heard somebody mention earlier that you're actually over on utilization. Committee Member Donovan answered I think we're over on number of people taking insurance, but I think we're under in terms of claims. Year to date.

School Committee Member Stewart stated I just wanted to go back to Alderman Lopez's question earlier, which was the per pupil costs on the state level. When you consider that 75% of our budget is salaries and benefits, and if you look at the page that outlines our full-time equivalents, 105 of those are administration and support staff. And if you add the 14 school board members a support staff, 119 out of 1,666 positions are not direct student services positions, but rather support positions, that really shows you the limited amount of economy of scale we can have, because when you look at 1,200 teachers or ¾ of at 1,600 number being directly related to numbers of students we are servicing, and then add education assistance and psychologists onto that, the economies of scales that one might consider using, don't necessarily exist to the extent that one would hope. A good example of something we did do a couple of years back you may remember was we used to farm out our Medicaid reimbursements, and we did an analysis and realized by bringing that in-house we could save several hundred thousand dollars. That's one of the ways we can do it. But in terms of looking at the averages, probably we're doing very well in Manchester, and what Committee Member Donovan's trying to point out is we really are running quite a bit below the state average. I just wanted to make that point.

School Committee Member Herbert noted I should have asked this earlier because at this stage it's difficult to get a response I think from everybody. Mayor Baines said you could forego it if you like. School Committee Member Herbert answered no people can tell me privately or tell anybody on the school board privately, but as you are aware we have a $1.3 million in a surplus situation this year, and the school board has taken $300,000 and we've dedicated it to several projects, this year. But we have $1 million and we've basically sent that back to the Finance Committee in a sort of reserve situation. We discussed putting it towards the deficit payoff, but we were interest in hearing from the Aldermen in terms of if there are…if they have any ideas as to what they would like million dollars to be used for. I know the Mayor is very interested in…but wanted to just put that out there. We were serious when we came here to hear from the Aldermen and there's $1 Million there. We could spend it very easily, you've heard all the things that we aren't allowed to spend it on, but we're taking ideas right now.

Mayor Baines stated let me start. I think I could pretty much speak for the Board of Mayor and Aldermen, but they are very capable of speaking for themselves. That money must be applied to the deficit. That should be a responsibility that's met by this Board of School Committee. That deficit is a responsibility to the School District, goes back to 1999 as you know, and this is an opportunity that wasn't anticipated. We understand the circumstances, but that money is imperative that it be applied to the school district. We're facing a very difficult fiscal challenge and the fiscally responsible thing to do is to apply it to the deficit. So as a member of the Board of Mayor and Aldermen I want to make it clear that that's an expectation we have.

School Committee Member Herbert advised I want to make it clear that I don't have a problem with that answer. Mayor Baines stated I appreciate that, and is there any Alderman that want's to speak on that.

Alderman O'Neil stated I would concur with you Your Honor that it should be applied toward the deficit.

Alderman Gatsas noted I happened to be channel surfing the other evening and happened to catch some of the questions that Committeeman Healy was asking Committeeman Donovan, and maybe you can help me Committeeman Donovan, in regards to the…I understood that the $1.3 Million came from an incorrect calculation of retirement, on $61 Million is was calculated at 4%. When the correct calculation should have been 2.45% on $58 Million. I'm back to the question Committeeman Healy was asking, he asked the question the calculation was based on $58 Million, or $61 Million, instead of the $58 Million.

Committee Member Donovan answered that's right. It's a combination of two calculations. One calculation is the percentage that's applied to both teacher and administrator retirement in the state retirement system. He applied…he assumed that the rate was going to go up to a certain level and it didn't go up. So that's one part of it. The other part that you multiply to that is the amount of salaries, and what it looks like to me is that he had a number based upon the earlier version of the budget when we were going to have more salaries. So he multiplied that higher number times the higher percentage and he got a higher amount of retirement obligation due. After we received your budget, we had to cut back and there were hiring for teachers that we weren't able to do, so the amount of teacher salaries went down, however, that calculation apparently, the formula didn't get revised and went into the final budget.

Alderman Gatsas followed up what happened to the $3 Million. If it wasn't paid in salaries, where did it go. Committee Member Donovan answered it was never budgeted, we had to cut it because you cut our budget. It was out budget that went to you, you then cut our budget and we had to make line item changes, and among those were cutting salary line item.

What didn't get cut was left in, was in the retirement calculation line and that's how we ended up with the surplus.

Mayor Baines stated let's not get into a big discussion about that, the only thing I'd like to say…are there any Aldermen that have contrary feelings about this if not…if Aldermen want to speak they certainly can. Mr. Clougherty Alderman Lopez asked if you could just speak to this issue. Obviously one of the first persons I consulted when I received this information was Mr. Clougherty, and the second person was Mr. Clark and we were all unanimous in our opinion on that subject.

Mr. Clougherty stated our position is it should be applied to the deficit.

School Committee Member Dubisz-Paradis stated I would like to comment. I have a very good PTA Chairman at Highland Goffs Falls, her purchased the RSA book and informed me that RSA 198:46 I and II, states excess educational property tax payment. In other words, we give it back. And I made the unfortunate mistake the other evening of voting not to give it back because I thought I was right, but after reading this and after Michael LeClair informed me about this, I would at the next meeting make a recommendation to reconsider, since I voted in the majority to reconsider this.

School Committee Member Perry stated the deficit as it stands now is what $500,000, is what's left on the deficit? Committee Member Donovan advised the accumulated deficit, Your Honor should I answer that? Mayor Baines said yes go ahead. Committee Member Donovan advised the remaining deficit is roughly $2 Million. We have budgeted as part of the settlement that we reached with you in October of 2001, that was a court order, that we had to budget $500,000 for deficit reduction. That's in our line item, we're going to meet that. That would then reduce our budget deficit…our accumulated deficit to $1.5 Million. The settlement then is into fiscal year 2004 it's up to the City to make up the difference. Anything we're able…but the settlement also says anything in addition in fiscal year 2002 and 2003, which we have as surplus, will go to reduce that deficit. Any amount that we have a surplus will toward that deficit.

Mayor Baines stated and if Committeewoman Paradis is correct if she does change her vote and even no else does change it, that would tip the votes to the other side on that issue.

School Committee Member Perry followed up for total argument sake, the million dollars becomes surplus at the end of our budget period. Mayor Baines said that's correct. School Committee Member Perry continued as it stands now it's money that hasn't been allocated to anything, so we can't call it surplus until it becomes surplus. And as such, it then comes down to the question of the City would like it back, the schools would like to keep it, to apply towards some projects and some things that have not been funded from prior years. So that's a question of the difference of opinions and then the next question is is there a legal

issue there involved there as well. Is it a legal obligation to give it back versus using it for the children, or is it a difference of opinion.

Mayor Baines stated again we're not going to settle that this night…I think the issue…There was a question asked, again this is special meeting to discuss the budget. We're not going to solve that issue tonight. It's really going to be a school committee issue at the end…obviously we've made our opinions quite well known on this.

School Committee Member Gross stated let's be clear about one thing first of all, the motion last night was to table the questions. This money was discovered less than a week ago and it was brought to us last night, and the reason eight school board members voted to table, was it was a vote to table not to spend. It's a lot of money. The City would not get the money until our fiscal year ends in June anyway. I saw no rush in making this decision before hearing from Aldermen, from the City. It is disheartening when headlines say things like, "Will School Board Waste $1.3 Million". Or is characterizing the spending of surplus as throwing away the money or squandering the money. I honestly believe that if we had the million dollars to spend, it wouldn't be wasted on the 17,000 students that we service. You know we inherited a deficit balance of $2,799,608 when I took office a year and a few months ago. In our first year of managing finances we finished well into the black. And we were able to pay back $718,531 of that deficit, leaving a balance of $2,081,077. This year we've budgeted an additional $500,000 to pay back in deficit. We are going to meet or exceed that. To be characterized as spenders, to be characterized as wasteful people that are throwing money away, I think is really a disservice and very much unjust on our part. We have elementary schools with no playgrounds, we have libraries that need books, and we have a lot of pressing needs. Yes, we have a deficit; it's a deficit we inherited for a large amount of money. You know it's interesting if you have a loan that you had to borrow and you borrowed let's say $10,000 and you've made your payments and you're down to $6,000, and you get a windfall of some kind, $5,000 comes you get an inheritance. And now the windows broken over here and the roof is leaking a little bit, you can make two choices. You can pay back the rest of the money that you owe. If you've been making your payments all along maybe you take some of that money and you fix the window and fix the roof, and you pay some of the other debt down. I just wanted to give the opportunity for the City and for people in the City to come forward and say, absolutely, and I'm hearing from the Aldermen, and I'm hearing 100% absolutely they feel that money needs to come back. OK. There's no reason why we had to vote that last night. We could vote that in May and it's still going to go back. But I want to hear first if there's other views. If there are other people who feel that we should maybe get $800,000 that we need for one set of curriculum. We don't have the money. Just maybe the Mayor feels differently. I didn't know. You were home sick with the flu at the time. I didn't know maybe you wanted to come forward and say it's time that we buy another set of curriculum books. I don't know that. So I made a motion to table and it was supported by eight people who are not spendthrifts, but who want to be prudent, because we didn't want to spend last night a million dollars on a line item,

because the deficit reduction is a line item, until we heard input from all areas. We heard it from the media today. We are hearing it from the Aldermen tonight. I'm sure if it keeps going the way it's going then the million dollars will be turned back to the City and not spent on education.

Alderman Shea noted I just want to pick up for the sake of everyone understanding this, the total school operating costs per pupil, the state level is $7,233, Manchester spends $6,202, a difference of $1,031. You explained that, but you didn't explain why. Could you explain why.

Committee Member Donovan explained it's less because we spend less. Alderman Shea stated in terms of how do you spend less.

Committee Member Donovan said it can be any variety of things. We have larger class sizes, we have fewer sports per capita than other schools, and we have fewer books in our libraries. This doesn't include capital costs. We have older buildings that are more expensive to operate. We don't have the number of computers in the classroom that other schools do; we don't offer some of the enrichment activities that other schools do. We don't offer, for instance, Spanish in the middle schools. There are a number of things that we don't offer that would cost money and would bring us up closer to the statewide average.

Alderman Shea asked then why would there be such a differentiation if we have tuition students versus not tuition students, if we're operating close to cost. That's what I can't understand.

Committee Member Donovan advised the tuition students are receiving those same services. I guess I'm not sure I see the connection there.

Alderman Shea stated basically if we're operating close to what you say, close to a margin, how are we making so much money on revenues from tuition students.

Committee Member Donovan answered because if…frankly we will have to pay more…that's…our margin…our cost per pupil might go up if we don't have tuition students. I guess that's what you're point is Alderman Shea. Because we will have fewer students at the high school level to pay the fuel bill. Fewer students at the high school level to pay the football coach's salary, fewer students at the high school level to pay the principal's salary, teacher's salaries. You may not need as many teachers but you'll still need…

Alderman Shea asked aren't the teacher's benefits and costs the primary type of expenditures that you spend.

Committee Member Donovan answered absolutely.

Alderman Shea stated my point it, and I no deference to the Mayor because we had this discussion I guess, but is the cost of not having tuition students as large a difference, or a costly difference as it might be when it all calculated out in terms of will need if we have less students, we will need less books, we will need less people in terms of the State saying you have to have, say five guidance counselors, for whatever 2,500 students and so forth. In other words, what I'm trying to get at, and it's kind of…we still will have tuition students here for the next 3-4 years and during that time we have to as a community get as much benefit from them as we can. We have make sure that they pay for renovations to the high schools where they're attending. We can't just say we'll put this off, but we have to make sure that we have renovations that we want done while they're here so that while they're students here, they're going to pay for these, because they're enjoying the benefits of the community of Manchester. And I think that's very important. But I don't think the impact, although it may be somewhat significant, is not going to be as significant as we would think it might be because obviously there's going to be less costs in other areas. Thank you for your explanation about how much it costs to educate the kids.

Mayor Baines stated I think the finance chair has estimated that cost on the general fund is approximately $7 Million. Is that approximately $7 Million Leslie.

Committee Member Stewart answered yes. Mayor Baines started it's approximately $7 Million hit on the general fund. It's very significant.

Alderman Shea added it may be Your Honor but we're not sure of that yet, are we?

Mayor Baines advised it's fairly…it's pretty certain…it's very certain.

Alderman She added if that's all the tuition students or just the students from Bedford.

Mayor Baines answered it's the total…if you broke it down it's about $4 Million with Bedford.

Committee Member Donovan answered right. If our tuition revenue's $11 Million you're saying $7 Million is what can be used for infrastructure and whatnot.

Mayor Baines said it's very significant and will have a very significant impact on the tax rate. That's going to be about 3-4 years out, so a lot of people maybe sitting around the table won't be participating in that, but it's very significant.

Alderman Shea stated if we were to release 800 students from West High School that would mean that we would need a certain amount of fewer teachers, obviously.

Mayor Baines answered right. That's calculated in there. What's the total revenue for tuition now. About $13 Million.

Committee Member Donovan answered we're up around $12 Million. We're going to be over $12 Million next year.

Mayor Baines said right, you're approaching almost $13 Million. You could reduce expenses with the tuition students approximately $5-$6 Million. You could, but then you still have that gap. We could debate that until the cows come…they've actually calculated that.

Alderman Shea noted if you were to move some of the students that now attend Central High School and move them to West that are tuition students, and you were to reduce that amount of students at Central, and move the students that are now at Memorial and move them to West, I'm sure that you could reduce the cost per…

Mayor Baines said you could about $5 Million. That's a lot of money. These numbers that I'm talking about I think are verifiable. You can spend some time talking to the finance people about it. I think everybody in the Finance office is in tune with this issue as well. That's a very significant financial hit on the taxpayers of the City with that situation. Again, we're not going to feel that for another 3-4 years, so the pain won't be felt by a lot of people around this board, but it's going to be felt in the future and that's unfortunate.

Alderman Guinta noted I have one quick comment and a question. Regarding the debt reduction, I think the Board of Mayor and Aldermen recognizes that the fiscal responsibility that the School Board has shown in trying to reduce this debt, and I think it's, what I'd like to reiterate is that it's a legal interpretation that the money needs to come back to the City. If I understood what your comments were.

Mayor Baines stated it don't think there's a legal…we could say there's a legal obligation. Tom may correct me if I'm wrong. Let the City Clerk weigh in…I think the agreement, and Tom could go over the agreement, that if in fact…and I suppose you could interpret it that way, if in fact the school district could not allocate enough funds to pay down the deficit in the final year, the Aldermen were required to appropriate that amount of money to pay the deficit amount. Did I state the correctly?

Committee Member Donovan answered that's correct. Committee Member Donovan stated is there a strict legal requirement that you pay it back now, no there isn't, I don't believe. The intent was that they would try to develop as much surplus as possible. And any surplus has to come back. If they don't have the surplus then the City has to…

Alderman Guinta noted that's what I was referring to. Mayor Baines added I think your point is well taken. It's a gray area.

Alderman Guinta asked if I understood correctly your request to City departments and the School Board was to propose a 2.5% increase.

Mayor Baines said that's correct.

Alderman Guinta continued I think my question is in your proposed budget that's going to come at the end of the month, how do you plan on rectifying the difference between 2.5% and the 6.1% request.

Mayor Baines said stay tuned. I can't answer that question. We're still fine tuning numbers with the Finance office. Looking at revenues. The tax base issue as we all know how that issue is, and once we're able to settle in on what's happening at the State level, I know there's some retirement issues. There's a lot of financial information that's out there, but as I said to the departments, some may get 2.5%, some may be level funded, some may get more. It's all going to be based on the entire financial picture, which still remains unclear at this point.

Alderman Guinta asked is the intent in your budget proposal to remain at that 2.5%. Because if it is, it seem like there's a lot of work that's going to have be done in this budget that appears…

Mayor Baines advised we're aware of that. As you'll remember a couple of months ago I had that joint meeting of the boards down at PSNH to alert people about the challenges that we are facing. It's very similar to what's going on at the State level. That's why we brought several proposals out related to consolidating departments in the City to bring about savings. You know what's happened to them.

Alderman Guinta commented those proposals aren't going to meet the difference between the 10.5 requested and the 6.1.

Mayor Baines stated it would help. Every dollar helps.

School Committee Member Stewart stated I just wanted to take the opportunity on behalf of our Board to thank everybody for coming out this evening. The questions that have been posed to us help us and also I think it shows that everyone around this table is very concerned about what's happening in our city and what's happening educationally. And with that I'd like to move to adjourn.

Mayor Baines stated I want to commend the Superintendent. This has been the first year that I've prepared the budget where we haven't had to fight for numbers, fight to get information about revenues, and I know Committeeman Donovan and Committeewoman Stewart

participated in those issues in the year. This has been a very forthright process. Are we going to be able to meet their requests, I think it's highly unlikely. This is going to be a very challenging year. We're going to do the best we can and again my preliminary budget is just that. And we're going to work very hard over the next few months to finalize it and have a minimal impact on services, but we're all in a state right now, as you all may have just read in Portsmouth they laid off 26 teachers this year. They're reducing their forces. It's happening unfortunately all over our region. We are going to try to minimize that here in Manchester. We're all going to have to roll up our sleeves and work together and decide just how we are going to approach this fiscal situation, but it's comforting to start off with solid numbers, solid information and I very much appreciate it. Just a final comment before we adjourn we are going into the St. Patrick's season. We're welcoming this evening the Mayor of Detroit, Michigan, Qualmy Kilpatrick, who is in town this evening. We'll be attending our Blarney Breakfast, which is a sellout this year. We're on track to raise about $40,000 for Special Olympics and March of Dimes. That's about a $17,000 increase over last year. This community's support is overwhelming. The Fire Chief's annual event is tomorrow night and I'll be going to Nashua on Monday to listen to Bernie Streeter make some interesting comments, I'm sure. Happy St. Patrick's Day to all of you. Thank you for participating and I want to congratulate every one that participated in the creation of this magnificent facility here at Memorial High School. It's really a tribute to what we can do and kind of environment that we can provide for all of our students.

This being a special meeting of the Board, no further business can be presented and on a motion by Alderman Smith, duly seconded by Committee Member Stewart, it was voted to adjourn.

A True Record. Attest.

City Clerk