

**SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN
COMMITTEE ON FINANCE
SCHOOL BUDGET**

**April 14, 2008
Mayor and all Aldermen**

**5:15 PM
Aldermanic Chambers
City Hall (3rd Floor)**

Mayor Guinta called the meeting to order.

Mayor Guinta called for the Pledge of Allegiance led by Alderman Gatsas.

A moment of silent prayer was observed.

The Clerk called the roll.

Present: Aldermen M. Roy, Gatsas, J. Roy, Osborne, Pinard, O'Neil, Lopez, Shea, DeVries, Garrity, Smith, Domaingue.

Aldermen Sullivan and Ouellette arrived late.

Messrs: Dr. H. Aliberti, K. DeFrancis, K. Burkush

Mayor Guinta advised that the purpose of the meeting shall be discussions relating to the proposed FY2009 School District budget.

Dr. Henry Aliberti, Superintendent of Schools stated thank you for having us here this evening to present the Board-approved school budget for 2008-2009 school year. We will be working from the budget copy that has been presented to you and provided to you. What we would like to do is actually begin on page one. I would like to run through some of the initiatives that we are looking to implement as part of this budget. Our budget request represents a 4% increase

over our present operating budget this year of \$147.3 million. It actually represents approximately a \$5.8 million increase in expenditures. This budget represents a progressive budget on behalf of the School District. It does not eliminate any positions or any programs. It currently supports the present level of funding for textbooks and also for supplies. It also supports the recommendations that we receive from the City for City services. It also supports expected increases and fixed costs such as contractual obligations, fuel, and electricity and so on. It adds the following initiatives to our present operating budget: \$50,000 in maintenance projects. This was a line item that was eliminated this school year. We are adding it back in for next school year. Next is \$33,000 in what we are calling grant transferred positions. We have some positions in both the general fund and through the grant funding that we are exchanging and moving around. It results in a net cost to the general fund of \$33,000 and that will be outlined for you a little bit later in the presentation. We are looking at supporting community partnerships in the amount of \$20,000 such as New Hampshire Jaggs program, \$10,000 for additional secretarial time. At the end of the school year the secretaries and the schools need to complete a report for the state. It is the end of the year report. It identifies all the students in the district and verifies that they are enrolled and present in the School District. This work needs to be completed and based on the number of snow days that we had and their work time through the end of the school year. We would like to be able to compensate them for some additional work days. Again that will be outlined a little bit more specifically in the budget book for you. We are looking at additional staff and I will run through those positions for you in a minute. Math resources for K-5. At the present time we are looking to replace the math materials that we use at that grade level. We are anticipating a cost of approximately \$303,000. We have had an opportunity to review 11 different math programs and we are ready to make a recommendation to the School Board for its adoption. A student information system of \$264,000, would be utilized in the district to store data for teacher access as well as

community parental access on student achievement. This would include local assessments and results, state assessment results as well as other informative assessment information that teachers may do. It would also provide us an opportunity to generate a variety of different reports and information concerning student achievement. This system would allow parents to have access to this information. West High School Academy model in the amount of \$274,000 would be to fully implement the model as well as create an opportunity for renovations at West High School, including replacement of old computers and around \$200,000 to assist students as well as teachers to access data. A lot of our computer equipment is using outdated operating systems. Teachers are not able to access websites, web based programs and informational sites. Some of our software we are unable to run because of the outdated operating system. The last item would be equipment sub notebooks. These are computers; they are a specific machine. They do not have a hard drive. They are a solid circuit computer. Teachers can utilize to access the web, as well as that student information system that I mentioned earlier. These computers are approximately \$400 a piece, probably less with a bulk purchase. On page two you will see additional staff items that I mentioned earlier for \$707,000. I would like to just run through that for you. These positions are all based either on federal requirements for special education or to help support accreditation or a district in need of improvement plan. We are looking for a special education teacher at Central High School, a half time guidance position at Memorial High School, and a district level music teacher. Since 2000 we have added about 15 or 17 full day kindergarten classrooms. Because of that those students have access to art, physical education, library and music. We were able to increase our art positions a couple of years ago but we have not addressed music and that is why this position is there. Attendance Officer. With an increase...with staying in school through the age of 18 in a district this size we are looking to help support students coming and attending school and this would help support the existing attendance officer. The

Central High School business teacher position would help to address a state requirement concerning technology, information being taught to students at the high school level at Central High School. For the Curriculum Coordinator we are looking at is a half time position out of the general fund. We would fund the other half of this position through federal funds. That position would help to assist the coordination and review of curriculum and its implementation at the district level. The Elementary Assessment Assistant Principal...I believe it was last year the Board approved the implementation of a three-year plan to add assistant principals at the elementary level. This would be the first position and I believe we have that scheduled for Bakersville School. The next two positions, technology trainer and data assessment coordinator, go with the computer technology and equipment that I mentioned on the previous page concerning the student information system, the new computers as well as the computer sub notebooks. These positions would help to provide training within the district, support the use and access of teachers to the student information system. Elementary secretaries...we are looking for two positions. Every elementary school has one elementary secretary. It really is an awesome job that these individuals, but we have two schools with well over 600 students that we are concerned about and would like to beef up the office support so we are looking to add office support at Northwest Elementary school as well as Beech Street School. Finally the assistant superintendent for secondary was a position that was eliminated last year as you know. The Board approved to reinstate this position to provide a full administrative complement at the central office. That gives you kind of an overview. The Board of School Committee requests a budget of \$153 million. I would like Ms. DeFrancis to address more specifically some of the figures that are contained within the budget notebook.

Ms. Karen DeFrancis, Finance Administrator, stated I will start off with page seven which is the expenditure summary. I will just quickly go through the line items and give you an idea of what's included in the line item. The first line item

is our salaries. That is actually \$750,000 less than the fiscal year 2008 budget. Included in the salaries is all of the existing positions as well as the new positions that Dr. Aliberti just spoke about. Again we are looking at a decrease from the fiscal year 2008 budget of about \$750,000 in our total salary line item. The next line item is our employee benefits. Our benefit costs are 33.3% of our salary and the majority of those costs are associated with health insurance which accounts for 55% of the total benefits. The next three line items are professional development and tuition and this is in accordance with the collective bargaining agreement. Our contracted service accounts for our Waste Management and also some athletics as far as the referees and the ticket takers. On line 430 are repairs and maintenance. The majority of that is our copier maintenance. We also have computer parts and supplies in there as well as our elevator alarms and intercom system maintenance. Line item 441 is the rental of land and buildings for our modular classrooms, our Easter Seals building which houses the kindergarten and preschool, Commercial Street rents and our warehouse rent as well. The rental of equipment is for our copiers. Our transportation is both for our regular and special education students and that is line item 510 and 513. Our insurance is for the property insurance on our buildings. We are self ensured up to the first \$100,000 but then we have a policy that covers anything above and beyond that. Our telephone is for our local long distance as well as our maintenance of our telephone system. Our postage is to just mailings, advertising for recruitment and bid postings. Under the printing and binding we have our book rebinding that we do at the end of the year as well as our school handbooks and forms that we have to have printed each year. Our tuition line item represents our special education out of district placements as well as the ombudsman program tuition. Line item 580 travel and conference fees is for our mileage reimbursement which is based on the IRS rate. Our general supplies are for the classroom and administration includes things such as paper, lumber and toner for our copy machines. The next three line items are natural gas, electricity and fuel oil. That accounts for a four

percent increase over the 2008 budget. Our books and subscriptions are for materials in the classroom and the library and that would include our textbooks as well as workbooks and subscriptions in the libraries. Our library books, \$30,000 is a small amount to update the current collection in the libraries. Equipment included in here is our computers and also our special education equipment. We also have included on this line item...if you look back to previous years you can see that it looks a bit higher this year and that's due to the student information system, replacement of old computers and sub notebooks that Dr. Aliberti spoke about. Our furniture and fixtures is a small amount of \$30,000 and this is basically for emergency or safety of also special education furniture that we may have to provide. The majority of dues and fees would be the principal's dues as per the collective bargaining agreements. We also have our New Hampshire School Boards Association as well as other organizations that we pay dues to. City services on pages 108 through 116 cover our Parks and Recreation, Facilities, Police which includes the SRO officers and the crossing guards as well as the Health Department for the nurses. The graduation line item for \$25,000 is for the rental of the Verizon Arena as well as our diplomas and ramps that we provide during the graduation ceremonies. Community partnerships is made up of a few items. We have the Southern New Hampshire 21st Century program, our YMCA Stay and TAP program and our New Hampshire JAG program. The debt service is our existing debt as well as an additional \$225,000 for the MST project that will be bonded. The final item that Dr. Aliberti talked about was the \$50,000 for maintenance project which is for emergency or safety needs of the building that's not covered under the facilities budgets. If you flip to page number four, I will quickly go over the revenues. On page five there is a revenue summary for the past five years so you can see how the revenues have been changing. Just to highlight some of the increases and decreases from the fiscal year 2008 budget, under our operating tuition we have the loss of an additional 225 Bedford students which is a difference of this years budget of \$1.6 million. We do expect and

increase in our rates for tuition. However, the number of sending students is lower than was projected in the fiscal year 2008 budget. There is actually an additional cost there or additional less revenues on that line as well. Regarding our tuition for our capital costs, in fiscal year 2008 the balance of the Bedford money was used at \$3.75 million. Therefore in fiscal year 2009 you can see that line item on page five is zero. We do expect a slight increase from the capital costs of Hooksett, Candia and Auburn of \$204,000. At this point we are not anticipating a surplus of our 2008 budget. In fiscal year 2008 we did have a surplus carried over from 2007 up \$1.35 million. Our revenues will be lower by that this year. Our expenditure increase that we are requesting is \$5.8 million so that has to be collected on the revenue side. The other items on page four are some smaller items that make up the final net increase of \$13.28 million in revenues. The remainder of the book is all the detail that is associated with the expenditures and revenues. If you turn to the last page, which is 124, that is our food and nutrition budgets and we are requesting a budget of \$5,826,500. The federal revenues represent 48% of total revenues and on the expenditure side our salary and our benefits represents 43% of the expenditures and you can see another high expenditure would be our food costs. At this time we open up for any questions.

Mayor Guinta stated based on the fiscal year 2008 and the fiscal year 2009 requested, state revenues are essentially flat at \$52 million. That's a little less than about \$200,000 more for 2009 than 2008.

Ms. DeFrancis stated state revenues, correct.

Mayor Guinta stated so state revenue in current year is \$52.2 million. Projected for next year is \$52.4 million so that went up \$180,000.

Ms. DeFrancis responded correct.

Mayor Guinta asked total federal revenues actually dipped a few hundred thousand from \$1.5 million to \$1.1 million?

Ms. DeFrancis replied yes. That is due to the Medicaid transportation reimbursements.

Mayor Guinta stated the total local revenue went from \$18 million in 2008 down to \$12.2 million in 2009, which is attributable to two basic things: the tuition operating reduction and the cap cost from Bedford went from \$3.7 million to zero. So essentially to make that up we are looking to go from \$50,000 on the local tax up to \$65 million.

Ms. DeFrancis stated that's correct. Total collected from the taxpayer from \$73 million to \$87 million.

Mayor Guinta asked for the portion that the Board of Mayor and Aldermen controls it's \$50 million to \$65 million because the Board of Mayor and Aldermen doesn't actually control that stated tax number.

Ms. DeFrancis stated right, but that is collected from the taxpayer.

Mayor Guinta stated that is true but that we control here. The state tax is the statewide property tax so we don't control that. What the Board of Mayor and Aldermen controls is essentially the request from the district to go from \$50 million up to \$65 million which is what percentage increase?

Ms. DeFrancis stated I have looked at it as the total taxes because that is what comes from the taxpayer. Those line items reflect on a body.

Mayor Guinta stated that line is about a 27% increase to essentially make up for the other revenue shortfalls or declines for 2009. So in order to get \$153 million we have got to increase spending by 27%.

Ms. DeFrancis stated I would say it would have to be increased by the 18%.

Mayor Guinta stated well, what we control is a Board of Mayor and Aldermen. We don't control the state tax. We can't vote on that. What we can appropriate, what we can control in terms of the local property tax is that local tax line. So the administration is asking us to spend an additional 27%.

Dr. Aliberti responded we are looking at 18%.

Ms. DeFrancis stated we are asking for a 4% increase in the appropriation, offset by the revenues, so the total to collect from the taxpayers would be the 18%.

Mayor Guinta stated that is one way to state it. Is it fair to say that what you are asking this Board to appropriate, what we can directly control, is the local tax line?

Dr. Aliberti replied I would go back to our previous response, Mayor, that we are looking at a 4% increase and a total tax appropriation of 18%.

Mayor Guinta asked how much of that does this Board control in terms of appropriation, in terms of having influence over the appropriation? Is it everything or is it that local tax line?

Dr. Aliberti replied I think you indicated it was the local tax line of 27%.

Mayor Guinta asked so you don't disagree with that statement? I want to make sure you and I are clear about what you are asking this Board to appropriate. Because of issues of revenue declines in other areas and some revenues that have been exhausted, the way that this budget was adopted was it essentially increased the local tax line from \$50 million which is what we are currently at this year to a request of \$65 million.

Dr. Aliberti stated that's correct.

Mayor Guinta stated that's a 27% increase directly to the local taxpayer. That is what this Board of Mayor and Aldermen can actually control. We don't have control over equitable education aid. We don't have control over school building aid. We don't have control over any of the federal revenues. We don't have control over the tuition operating or the capital costs that come in. This Board of Mayor and Aldermen doesn't have any control over any of that. Is that fair to say?

Dr. Aliberti stated I guess that is fair to say.

Mayor Guinta stated I want to make sure we are clear that you are coming here asking for a 27% increase in spending from \$50 million to \$65 million in order to hit the \$153 million budget. The total budget increase is 4%. I don't disagree with that but we don't have control over most of what you are claiming is a 4% increase. I don't disagree that it is a 4% increase total budget over last year but you also would agree that what you are asking us, what we can actually have control over is that line from \$50 million to \$65 million. Is that fair to say?

Dr. Aliberti replied for a local tax, yes.

Alderman Lopez stated there has been a lot of conversation about losing X number of students and not proportioned losing X number of teachers. Could you enlighten us a little bit as to the math and how this works? There is a lot of confusion out there that people think you lose 800 students you have to lose X number of teachers so what is the true story?

Dr. Aliberti replied when you look at enrollments it depends on where that student loss is. For example if you lose a certain number of students at a level, for example, from last year to this year October 1st we lost 69 students at the elementary level. Those students really come from across the district. They come from a number of different classrooms, grade levels so it doesn't necessarily equate to a teacher reduction. Where we did have an impact at West High School we did lose positions at West High School. We actually reduced the positions by 17. We lost 17 positions. The same is true that the middle school when you use that elementary kind of analysis. Again you are looking at a number of students across the middle schools, three per classroom at various grade levels and when you do that it doesn't necessarily equate to a teacher because it is not particular grade level per se in a school. Since 2000 the state has had a website which we drew our October 1st numbers from. It's the New Hampshire Department of Education. From 2000 to this year we actually lost 931 students. If you look at 2004 to 2007, the last four years of previous years, we lost under 1200 students. It's approximately 1179. Again, we look at that loss across the district except at West High School where we did eliminate 17 positions.

Alderman Lopez asked can you enlighten me a little bit about the capital tuition as to why we use so much in a short period of time? Last year I believe it was a little over \$3 million that we used. I thought this capital tuition was supposed to last us ten years.

Ms. DeFrancis stated we originally collected from Bedford \$10.6 million. That was \$1.8 million collected in fiscal year 2004; \$4.4 million in fiscal year 2005; and \$4.4 million collected in fiscal year 2006. In fiscal year 2004 we did not use any of the capital tuition. In fiscal year 2005 between Bedford and what we did receive from Hooksett, Candia and Auburn we utilized \$5.1 million. In fiscal year 2006 we used \$1.9 million of the Bedford money. Hooksett, Auburn, Candia we used \$1.7. We also received Building Aid towards the debt. In total for fiscal year 2006 we used \$4.8 million. In fiscal year 2007 we used \$2 million for Bedford and Hooksett, \$1.6 million for Candia and Auburn, and Building Aid of \$1.1 million for a total of \$4.8 million. That left the balance in that account at \$3.8 million. As of July 1, 2007 there was \$3.8 million in there. In our fiscal year 2008 budget we utilized \$3.75 million. According to a letter that we received from Bond Counsel we had to use that balance in this fiscal year, whatever was remaining in that account.

Alderman Lopez asked so Bond Counsel told you that you had to use it?

Ms. DeFrancis stated they told the City Finance Department.

Alderman Lopez stated back in 2004 and 2005 Manchester ranked cost per pupil fifth in New Hampshire. Does that still hold true today? And back then it was \$7,444.00.

Dr. Aliberti stated it's probably close. I am not aware of the exact ranking but I bet it's close. In 2005-2006 the expenditure was just over a \$7,800. I think it was \$7,854 per student.

Ms. DeFrancis stated I actually have something that I just received, an email I believe on Friday, and the Manchester total...they have an elementary total, middle total and a high school total, but if you look at it all together it was \$8,289. Towns with high schools we are fourth from the bottom.

Alderman Lopez asked since we are dealing with the issue of \$140 million, what do you have to do to get to that figure? Unless the other Aldermen have other questions, I think that covers the important points. No scare tactics, real things are going to happen. I think we have to understand that.

Dr. Aliberti replied the Board of School Committee has not had an opportunity to review the suggestions that we have pulled together in order to go from \$153 million to \$140 million budget. What would actually happen would be difficult for me to attest to in front of you at this point in time. We have pulled together a list of suggestions. They are not prioritized. They are not recommendations at this point but we are looking at a variety of different things. All the things that I introduced to you as additions as I did the budget overview would not exist: the computers, the additional staffing positions, funding for West High School so on and so forth. Beyond that we would look at not funding our community partnerships that we talked about. We would look at the reduction of teachers through attrition. We are looking at approximately 38 teachers because some of those positions are special education positions and we would need to maintain those positions. Extra curricular activities would be on the list, as well as athletics and fine arts outside of the classroom program. So music outside of the classroom is a possibility of no longer existing. We would be reducing our supply and textbook budget obviously. We would look at possibly eliminating the Navy Junior ROTC program, BLIC's, administrator's assistant, principals at the elementary middle school level, positions at the district office, SRO and a

possibility of our substance coordinators within the schools as well. We would be looking at moving kindergarten from a full day program to a half day program and elimination of readiness and those types of reductions would not reach the \$140 million mark. We would be looking at additional positions and costs associated with that. Another 65 positions we would have to locate. It is pretty substantial to look at a \$7.3 million reduction from our present operating budget. I have only been in Manchester, in this School District since 2002 but I don't ever recall that we were looking at a \$7.3 million reduction in an operating budget. We had looked at reductions in budget requests but not in our operating budget.

Mayor Guinta asked during that time have you ever had a reduction in revenues of \$7.3 million?

Dr. Aliberti replied I don't know.

Mayor Guinta stated I think the answer is no. Is it fair to say you have never had a \$7.3 million reduction in revenues?

Dr. Aliberti replied I would assume so.

Ms. DeFrancis interjected I have gone back to 2005 and that would be accurate from that point in time.

Alderman Lopez stated tonight we received a letter from Brad Cook, which everybody knows, in reference to the agreement you have with Hooksett and Auburn. Have you taken a look at that how that would affect the agreement on education?

Dr. Aliberti replied if we start to eliminate programs and positions then you have a concern about meeting state standards and accreditation issues. In our additional staff request we were looking at a guidance counselor, for example, to address part of that accreditation piece so obviously if we look at reducing a lot of positions and programs we would be in danger of breaching that agreement.

Alderman Garrity asked I see the student information systems again this year, is any of that system purchased at this time?

Dr. Aliberti replied no it is not.

Alderman Garrity stated on line item 200 employee benefits, you are showing a 10% increase in that line item. I was just curious if you have gone out to bid on your insurance yet.

Ms. DeFrancis replied we did go out to bid for our health insurance and we actually will be going to our full Board tonight. It went through our Finance Committee last week. Anthem was recommended as the winning vendor for that bid.

Alderman Garrity asked line item 243, staff development, is that per the union contract?

Ms. DeFrancis stated that is yes.

Alderman Shea stated I was watching the other night when you were making a presentation and I think it would be helpful for all of the Aldermen who did not have a chance to review certain points that you discussed. One has to do with the budget and what percentage of the budget is on fixed expenses or fixed costs. I

have them here if you want me to relay them, I can or if you want to you can. You mentioned salaries and benefits. You mentioned debt service. You mentioned City services. You mentioned transportation. You mentioned the cost of utilities and you mentioned tuition for special needs students. How does that contrast with the \$140 million budget visa vie the \$147 million. In other words what percentage of fixed costs were attributed to the \$147 million as compared to the \$140 million? Could you go into that?

Ms. DeFrancis replied those six areas that you spoke about make up 95% of the budgets. There are other line items within the budget that are fixed costs. For instance, included in those six line items we did not talk about the rental of buildings. That's \$666,000 that we are in leases for so obviously that is part of the fixed costs of the budget as well. What we were trying to discuss was that 95% of the budget is made up of six different areas. As far as how that number would compare to a \$140 million budget, I haven't run those figures but based on the fact that the majority of those costs are in salary and benefits I would assume that that 95% might go down.

Alderman Shea stated you mentioned that salaries have increased by 10% and benefits have increased 30%.

Ms. DeFrancis replied if you look at page 9 of the budget book, we ran an analysis of the fiscal year 2009 request as compared to the fiscal year 2005 actual numbers. That is a four year increase and you can see on that page that over the four years, the bottom line appropriation has increased 12.3% which would average about 3% per year. The total increase for those four years would be \$16,723,000. The increase in salaries and benefits total \$14,682,000. So salaries and benefits at \$14 million make up 88% of the increase over the past four years.

Alderman Shea asked so the only way you can make up the differentiation in salaries would be to cut the level of staffing that you have?

Ms. DeFrancis stated that's correct.

Alderman Shea asked that would then diminish the amount of benefits that you would have to pay is that correct?

Ms. DeFrancis replied that's correct.

Alderman J. Roy stated we are a district in need of improvement and I think you may have touched on it when you responded to one of Alderman Lopez's questions. We have a plan to get ourselves out of being classified as being a district in need of improvement, and how is this \$140 million budget going to affect that? Where is this going to lead us and what ramifications would that have?

Dr. Aliberti replied when you start to look at the number of programs and positions whose eliminations are inherent in trying to go from a \$153 million down to \$140 million budget there are things that are going to have to be eliminated. When you start impacting the accreditation aspect of the instructional aspect it's going to have an impact on what can be accomplished with students within the classroom setting. I do have a concern that this type of reduction will impact the ability of the district to address and move forward with addressing the need to get out of that classification of being a district in need of improvement.

Alderman O'Neil stated I know the Board of School Committee approved budget was \$153.1 million. What was the Finance Committee's approved budget?

Ms. DeFrancis replied that was a 3% increase, which would have brought it to \$151,667,500.

Alderman O'Neil asked \$151.7 million?

Ms. DeFrancis responded yes.

Alderman O'Neil asked regarding your initiatives, on page one, are those prioritized or could you prioritize them?

Dr. Aliberti responded yes.

Alderman O'Neil asked they are not currently prioritized?

Dr. Aliberti replied that's correct.

Alderman O'Neil asked the additional staff on page two, is that prioritized?

Dr. Aliberti replied I believe that was initially prioritized by the administration but I would want the Board to revisit that.

Alderman O'Neil stated you mentioned that there was a recommendation going to the Board of School Committee at some point regarding what if the Mayors budget is approved. When do you expect the Board of School Committee might take up the recommendations from the Administration?

Dr. Aliberti replied I am really not sure. It is something I was going to mention this evening. We have a Board meeting at 7:00 pm this evening so I was going to ask the Board to take a look at these and have a discussion about a timeline. We

do have some benchmark timelines by which we need to notify positions if we are going to move in the direction of any type of job notification. As one of my superintendent comments, I was going to request that the Board have a discussion about that and give the administration some direction about what they would like to do in that area and see if we couldn't move forward from there.

Alderman O'Neil asked what is the date that you need to notify staff on reduction of force?

Dr. Aliberti replied there is a variety of different dates for administrative positions. It is actually tomorrow, April 15th. For teachers contractually it's May 10th and for what we call administrative managerial positions, school secretaries or secretarial positions it is 30 days prior to the termination.

Alderman O'Neil stated Your Honor, you obviously feel very strongly about your figure of \$140 million and I know you talk about the local tax share and that's where your discussion with administration has gone but do you have specific recommendations on how the district can get to that \$140 million number where the staff reductions need to take place?

Mayor Guinta responded no. What I did in terms of how I arrived at this number, is I looked at several factors. First and for most, everybody knows the economic conditions of the city, state and the country that's a legitimate issue that I feel obligated to consider. When the average cost of living for an individual in the City is somewhere in the neighborhood of \$3400 more than it was last year because of three particular items, home heating oil, food and gas, I weighed on that very heavily in terms of should we as a matter of policy, should we as a City raise taxes and should we be raising them substantially? I certainly don't think we should be raising them. I am very concerned about that impact on average

families in the City. I looked at the City side and I looked at the school side. The school has about \$7.3 million less in revenue then it did the previous year. I thought the fairest way to divvy up the responsibility between the City and the schools was to reduce the schools by that same number which is what I did. I certainly don't enjoy it. I don't want anyone to have to go through this process but the reality of a reduction in revenue is we can either keep expenses low or we can raise taxes significantly. That is a challenge that I think this Board has to deal with from a policy perspective. I also would ask the School District to consider that. I don't feel at this point the school administration has considered that. I think it's fair for them to consider the financial condition and the economic condition of the City, especially when they are asking for substantial increase in the line item that we control. The reason I keep talking about that line item is that we have done a pretty good job over the last few years dating back to 2005 of keeping that line relatively even: \$49 million, \$49 million, \$51 million, \$50 million and then we jump up to \$65 million. Clearly it's because of drops in revenue. Alderman, if we had \$10 to \$15 million in more revenue this year, we could have a conversation about increasing the School District budget but then I would ask along with those requests some basic benchmarks and objectives that have been met to see if we as a district and administration are meeting our goals and objectives? Or are we simply continuing to fund a basic program that doesn't seem to be making marked improvement? I personally think regardless of the number, we can make marked improvement. I think we can improve the dropout rate. I think we can improve our district in need of improvement status. I don't subscribe to the notion that only money is going to resolve those problems. I think the clear example is that the school budget has increased on an annual basis yet I don't believe we have seen a reduction in the dropout rate. I am not sure what demonstrative improvements have been made as it relates to district in need of improvement. I certainly know there are additional tools that are required and probably changes in philosophy required. To answer your question more

specifically, I have not provided a blueprint to the administration as to how they should meet this number. That is their job. I have given some general parameters. I gave them my first year and I will continue to give them. The least impact should occur in the classroom. I think and I personally believe that the people that have the most impact on our students are teachers. I think that we should keep that in mind in the school district and the administration should keep that in mind as they make recommendations for fiscal year 2009. I also do think they should consider the changes in student enrollment. I think it's a fair number to consider. The reality is in October of 2004 according to the New Hampshire Department of Education we had 17,709 students. In October of 2007 we had 16,387. As of this month we lost another 281 students. We are already down to 16,106 and the projections indicate that we are going to be under 16,000 by this coming October. In the next two to three years we will be closer to 15,000. I think that we have to consider that. During that same period of time we have had a net increase in a little over 100 teachers. I don't disagree that teachers are...in my opinion that is the mechanism by which we are going to improve educations, teachers. The reality is the administration has to consider the economic condition and the financial condition we face as a city. We need to some how balance that. I am certainly willing to work with them in how I think the changes should be made. The guidance I would give is teachers first.

Alderman O'Neil stated it's my observation...what concerns me is that we know the Board of School Committee hasn't always been in agreement but they are only off \$1.4 million from the Finance Committee to the full Board, if my math is correct. There is a general agreement about where the Board of School Committee, of which you are a member, believed they need to operate at and your number is significantly different than your colleagues on the Board of School Committee. That is my observation. The question for the district is if they can get back to us at a later date, not too much a later date, can you break down the budget

as it is attributed and maybe stick just on salaries and benefits, as it is attributed to classroom teachers, to school administration, to what I call overall administration I guess, and then support staff in the schools? That might be helpful to us.

Ms. DeFrancis stated yes we can do that.

Alderman Ouellette stated in the area of special education, Karen, it seems as though from year to year we always seem to have to be adding teachers because of the different student needs that arise. Some of those monies I believe are grant monies but isn't it true that some of those teachers also have to be picked up by the general fund because there is not enough money in the special education funding from the federal government?

Ms. Karen Burkush, Assistant Superintendent, stated that is accurate because the IDEA grant basically funds 89 positions. It doesn't have anything else so each year as our salaries and benefits go up, our entitlement from the state doesn't really keep up with what our benefits increase by. This year what we are requesting is one special education teacher at Central High School and that is in an effort to make sure we keep kids within the district and our tuition line doesn't go up. If we are not able to fund that teacher we potentially will have to place some students out of district because we are required by the state rules for the education of students with disabilities to make sure we have specific developmental levels in one class and the class size, age range and actually developmental range. So projections from middle school going into high school we would need one more position.

Alderman Ouellette stated so the grant monies fund 89 positions. How many positions are currently within the special education department?

Ms. Burkush replied there are probably, without the exact number, close to 600 with paraprofessional because the grant picks up paraprofessionals and teacher positions. I am not sure, Karen, if you have the total number of special education?

Ms. DeFrancis stated I don't but when we do this analysis that was just asked for, we would have that.

Alderman Ouellette stated it seems to me that with 600 positions and only 89 are funded...the federal government tells us we have to have these positions. If you have students with these particular needs, they have to have services. I would like to see in the analysis where we were in 2004 and where we are in that area now because this is an area that you can't cut these teachers, so no matter what the student population is, in terms if it is 1500 less then we had in 2004 or what not, these are positions that are identified that the district has to keep. This is part of their fixed cost that they cannot dispose of. I think that's a significant number and the federal government gives us 17%?

Ms. Burkush replied it is close to 18%. Correct.

Alderman Ouellette stated it seems to be every two years people are running for Congress. Every six years people are running for Senate. They all say vote for me and I will get you your special education dollars but guess what? That burden goes back to the local property taxpayer and I think that is a very significant issue that needs to be brought out there to the public. On the school portion of your tax bill a lot of those funds are costs that shouldn't even be coming forward. They should be picked up by the rest of the monies that the federal government promised. The federal government seems to have plenty of money. This is since 1974 when the IDA was enacted, so we seem to have plenty of money on the federal side to figure out how we are going to invade countries and do all these

other sorts of things but they don't seem to want to come down and give what was promised and what was actually enacted in legislation. Now compound the No Child Left Behind act that we are also not getting the proper dollars for. That is a significant issue. That is a significant problem. The other area I want to go to, which Alderman Lopez brought up, is tuition agreement in Bedford. To say this year we have \$7.3 million in revenue that we didn't have last year, this is something that I think we knew was coming. It didn't just pop on us one day but the issue...as a School Board member what I didn't know was so significant was that we were spending more money then we were supposed to be spending in the ten years. I am not sure if that was communicated to me as a member of the Board as to how much monies we were spending. We were getting line items in the revenue during the budget season but I am really curious. You said you got that letter from Bond Counsel, that last year all that money had to be spent. Did they give you a reason why that was the case?

Ms. DeFrancis replied no.

Alderman Ouellette asked just that you have to use it? That seems kind of fishy to me. Could you produce that letter?

Ms. DeFrancis replied I can.

Alderman Ouellette stated I think that would be helpful to some of the Board members around the table so at least we can start a paper trail as to how come all of a sudden that seemed to change. I am wondering if those monies weren't spent up to reduce the tax rate in the years prior more than what was supposed to be used because not having that money there I am very upset and that is a significant problem. I think \$7.3 million...yes, we have a revenue shortfall. I think the Chairman of the Board should be sitting down with you. The Chairman of your

Board should be sitting down with Administration earlier before budget time and saying we have this problem. Where can we go from here? It doesn't sound to me like that happened so I am a little concerned about that as well. I think that chopping \$7.3 million from your revenue side and saying here, you are stuck, live with it. I don't think that is responsible. I really don't. In years past we have never in this process started from a position of the 2008 budget of \$147 million and saying we are cutting you \$7.3 million. The Board of School Committee's budget is \$153,108,326 regardless of what the Finance Committee came out with, and as Alderman O'Neil pointed out, they came up with \$151,667,500. That is where the cut came from. It's a \$13,108,000 cut. It's not a \$7.3 million cut.

Thank you.

Alderman DeVries stated Karen, I am looking at page six of your handout as a reference and you spoke on one of the other pages of the four year average for the non-discretionary spending and you said over four years it had gone up by \$14 million. On page six when I look at the budgets for the years I want to make sure I am backing up to the appropriate spot. Are you looking at 2006 when you had a budget of \$142 million as being the beginning? Is that the beginning of the first of the four years?

Ms. DeFrancis stated it would be fiscal year 2005 which the budget was \$137,499,000.

Alderman DeVries stated I wasn't sure in the latter ones if you were including the current year. What you are saying is in 2005 you had \$137 million budget. Your non-discretionary spending has gone up by \$14 million since then.

Ms. DeFrancis replied if you look at page nine, that is the area that compares with fiscal year 2005 with fiscal year 2009. The first page you were just referencing which is page six, is the budget for that fiscal year. Page nine is the actual expenditures for that year. We felt it was more appropriate to look at what we actually spent. Our budget was \$137 million but we spent \$136 million. So we compared what we spent in 2005, \$136 million, to what we are requesting in fiscal year 2009 which is the \$153 million. That is a \$16,723,000 increase for four years. \$14.7 million of that is in salaries and benefits. The increase is 88% in salaries and benefits basically of the increase of \$16 million.

Alderman DeVries stated it's going to be kind of hard to get to \$140 million with that kind of an increase. You also spoke about the health insurance which you have put out to bid and you have some responses. When is that going to be something that we have the opportunity to work with? Are you doing that in nonpublic session this evening or public?

Ms. DeFrancis responded actually it went to our Finance Committee with a recommendation last Monday and it's going to the full Board tonight with a recommendation of Anthem.

Alderman DeVries asked does that have any impact on the budget?

Ms. DeFrancis replied it is already included in here. In going through the RFP process we did have the responses while we were preparing the budgets. It didn't get brought forward to the Finance Committee until last week. We knew at that time that we were looking at a 5.2% increase. When we originally looked at the Finance Committee budget, we were assuming a 10% increase. Once we received the RFP's back we looked and were able to reduce that to 5.2%. Anthem reduced

their administrative fees by 24% this year with a cap for the next two years of 3% next fiscal year and 5% two years from now. They also reduced the reinsurance by 12%.

Alderman DeVries stated I would also like to see some of the information coming from Bond Counsel, purely for edification if nothing else. Thank you.

Alderman Shea stated every year it seems that the School District comes back to the Aldermen with a surplus in either revenues or expenditures. This year you don't have that or do you have surpluses in either revenues or expenditures?

Ms. DeFrancis replied right now we are looking at our expenditure side, and we have a surplus...I believe it's \$684,000. However, on the revenue side we are looking at a shortfall. We are working right now with our tuition bills. When we prepared the budget last year we knew that we were going to lose the 450 Bedford students but then we had included an additional 100 students as coming to Manchester. That did not happen so we won't be collected as much tuition as we budgeted so we are going to have a revenue shortfall. We are working to determine exactly how much that will be. At this point the Finance Committee has requested that we set aside \$500,000. We do not spend that money. We actually agree with that at this point. I have numbers from the sending towns; I don't know if you have the total enrollment. Is that the number you are looking for, the sending towns?

Mayor Guinta asked what are you basing the total tuition number on? How many students?

Mr. DeFrancis replied that is based on 1,074 students and we actually reduced that number because we bill based on the average daily membership. There are 1,074 students that we are billing for but we reduce that to 97% of that number and then we bill at \$6,700. That total comes out to \$7,927,000. In addition to that we billed Bedford an additional \$200 per student so that would be \$45,000. Then we have our special education tuition, preschool and vocational education tuition. In total those four line items make up the \$9.9 million.

Mayor Guinta asked do you have a projection as to the total enrollment for October of 2008?

Dr. Aliberti replied not to be accurate, Mayor, no. You are talking about next fall, right?

Mayor Guinta responded yes. That is the budget we are talking about. Do you have an idea of how many students you expect to have?

Dr. Aliberti replied I wouldn't want to guess at this point. I would be happy to get that to you though.

Mayor Guinta asked will it be more or less than we currently have, in your opinion?

Dr. Aliberti replied I would say it will probably be less.

Alderman Gatsas stated I will take you to line 561, which is tuition. I assume that is for placement out of District. I would like a breakdown and not by name but just the total number of students at each one and the cost associated with that

student. Also, if any of those students that are outside of district had the opportunity to have an aid and keep them in district or has the aid just been an oversight and the student was sent out of district. My understanding is that some of those students could exist within district if they had an aid. The other question... Your Honor, I go through this budget and I certainly don't want anybody to believe that your fuel oil cost is only \$50,000. Can you give me an explanation? I know you have probably given it to us in the past but I would just like my memory refreshed.

Ms. DeFrancis replied the oil burners during the design build were changed to natural gas so that is why if you look at the natural gas line item from several years back you will see that that line item increased.

Alderman Gatsas stated if I take a look at the fuel cost and I add those two together, it looks like it's still higher. If you go back to 2006, your fuel oil was \$768,000 and your natural gas was \$648,000 so that is somewhere in the vicinity of \$1.4 million. Are you saying that the efficiencies that we have tried to control in the design build is a 20% increase in natural gas?

Ms. DeFrancis replied the natural gas is showing \$1.6 million estimate for next year. That is based on a 4% increase not knowing what the prices will be.

Alderman Gatsas responded right, but when you present a budget to us and then we give you a number, you go back and develop a modified budget so the numbers that we see before us could change very drastically and you make the assumptions of where you would like to add money and subtract money as a Board. I don't have a problem with that. The problem is when they come before us those change drastically because I just looked at the 2008 number and when you look at the numbers in 2007 and look at the actual expense for wages and the budget you

adopted it's roughly \$1.3 million higher. If I look at 2007, you adopted a budget that had \$78 million in a salary line. I think it started just about at that number. When you actually spent it, it was \$1.3 million less.

Ms. DeFrancis stated that's correct.

Alderman Gatsas stated when you look at the budgeted number for health insurance it was \$27 million and you actually spent \$25.5 million. Just in those two items there is \$3 million that is in limbo.

Ms. DeFrancis replied I would say with the health insurance, I would have to go back and check exactly in salaries why there was a surplus. In health insurance as you know we are self insured so we do project based on estimates. The additional money that we did not spend in 2007 on that health insurance line would have gone into the expendable trust.

Alderman Gatsas asked so you are seeing your line item in health insurance as a 10% increase in claims?

Ms. DeFrancis replied no. We are using 5.2% in total. That is not just health insurance; that is all of our benefits. If you wanted to look at the detail of all of the employee benefits that is on page 70. If you look at that page you will see how much of that is health insurance. It is about 55% of it.

Alderman Gatsas stated I will hold the rest of my questions so the School Board members can attend their meeting.

Alderman O'Neil asked Mayor Guinta, as the Chair of the School Board, when do we expect the School Board will be able to present to us...and this is a follow

up I think to Alderman Lopez's first question...a list of what happens if they don't get the \$153 million and work their way back to the Mayor's number of \$140 million. When do we expect School Board will take action on recommendations from the administration? I think it's an important item to be addressed as soon as possible.

Alderman Ouellette replied Alderman, I think the Vice Chairman of the School Board is still in the audience. This is highly unusual because it's a highly unusual year. Normally it would be the administration making the recommendations and the Board never really made these types of recommendations until after they got their number but I agree with you that is probably something they should do this year.

Alderman O'Neil stated if I heard early from the Superintendent that it's the intent of the administration to make a recommendation to the Board of School Committee so it sounded like they needed the Board of School Committee to confirm their recommendations.

Alderman Ouellette responded that wasn't the way it happened in the past. The past was after we go the number. I know it's a different year.

Alderman O'Neil responded that's fine. I will work off the administrations recommendations then. But, we need a list at some point, as soon as possible, whether it is approved by the Board of School Committee, and as I said, as the Chair of the School Board I ask this question to the Mayor.

Dr. Aliberti replied we will try to do that as soon as possible.

Alderman Lopez stated I want this completely understood because I have a couple of School Board members without mentioning any names and I know you have a time frame of May 10th for pink slips. You cannot deficit spend. Three of you agree with that? Even if the School Board orders you to do it, you cannot do it. Is that what you would tell them?

Ms. DeFrancis replied I would absolutely tell them that because I believe it's my reputation if we go into a deficit.

Alderman Lopez responded I just wanted to clear that up because I already have two School Board members telling me they are not going to pink slip no matter what. I don't want to see it either but the law is the law. We have a union contract to go by. You cannot deficit spend; it is against the law.

*There being no further business, on motion of **Alderman Smith**, duly seconded by **Alderman Shea**, it was voted to adjourn.*

A True Record. Attest.

City Clerk