

COMMITTEE ON FINANCE

April 8, 2003

7:00 PM

Mayor Baines called the meeting to order.

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

The Clerk called the roll.

Present: Aldermen Wihby, Gatsas, Guinta, Sysyn, Osborne, Pinard, O'Neil, Lopez, Shea, DeVries, Garrity, Smith, Thibault and Forest

Mayor Baines advised that the purpose of the meeting is to discuss the FY2004 School District budget.

Alderman Lopez asked for the Board's unanimous consent to take care of an issue regarding the American flag.

On motion of Alderman Lopez, duly seconded by Alderman Shea it was voted to allow an item of new business.

Alderman Lopez stated at the present time we are short American flags in the City and we need to get those up on Elm Street. I would like to move that we take \$1,000 out of Contingency to buy 24 flags for the City.

Alderman Pinard duly seconded the motion.

Mayor Baines called for a vote. There being none opposed, the motion carried.

Mayor Baines stated the first department that is coming before us on the FY2004 budget is the School District. As you know, we had a preliminary report on the District budget and I have also presented my recommendation. At this early stage of the budget process it is very important that the District budget be dealt with as quickly as possible. As you know April 15 is the date that teachers are going to receive what they call pink slips and we would like to keep that from happening. We have tremendous overcrowding issues in our School District so hopefully we will be able to come to at least some consensus after the presentation this evening

and after you have had an opportunity to review the presentation and ask questions. I would now like to turn it over to Superintendent Ludwell.

Superintendent Ludwell stated thank you very much. We appreciate the opportunity to present our proposed budget to the Board of Mayor and Aldermen. A few preliminary comments. First of all this is what I have been calling a steady state budget. The budget does not provide for any frills. It is simply to keep us going for another year until the economic environment betters. As you watch the presentation and look at the materials in front of you, you will notice that budget line items, over 50% of them are either flat or have been reduced from this year's funding level. Also, the budget provides for a reduction in staffing while it maintains classroom teachers. However, support staff reductions may impact the structural support provided to both the students and the faculty. As we go through the proposal, please note that...well first of all 72% of the budget is made up of salaries and benefits and when you calculate the overall fixed cost of this budget it comes out to 90% of the budget is, indeed, fixed costs. Given all of those preliminary comments and I would like to revisit some of these at a later date but I would like to introduce School Committeewoman Stewart who is going to review the School Board goals.

School Committee Chairman Stewart stated it has been said that the greatest gift we can give our children is education because it is the gift that lasts a lifetime. With that in mind, we present our budget this evening. Last fall many of you know that in September the Board met to structure our goals for the coming year and those goals included the citywide school renovation and addition program. We are going to talk about that later this evening. It also included improving student performance, including test scores, and addressing the "No Child Left Behind" requirements, which are many. I might add to that as a footnote that having spent the last three days at Central High School during their accreditation process that we also in that line included meeting our accreditation requirements and we will find out tomorrow what the committee said. We know that one of the things they are going to address with us is the funding that we have for our schools. Finally, to adopt an alternative education program to address the drop out rate. We are very concerned about the drop out rate in the City and we want to do some programming to address that. This year we added an extra teacher to the PASS Program at the Manchester School of Technology, adding 30 high school students to the PASS Program, our alternative high school program and in addition Central High School just received a very large grant that is going to last them three years that they are going to use to address specifically at that particular school drop out prevention. Our proposal as the Superintendent said is a steady state budget. It allows for no new hiring except for a \$200,000 investment for alternative education, a drop out prevention program and the start of a gifted and talented program, which I know Alderman Shea has been advocating for years. It

has two fewer job positions overall than in the current fiscal budget and this 6.1% increase puts us up to a \$128.5 million general fund budget. About a month ago we met with you to give you our preliminary findings and after that we had a public hearing and it was passed by our Finance Committee and Board for approval and submission to you this evening. With that, I will turn it over to Tom Donovan, our Finance Chair.

School Committee Member Donovan stated why does a steady state budget come with a 6.1% expenditure increase. There are four main drivers for this size increase. The first one is an 8.5% increase in the local special education spending. That is not the amount we get reimbursed from the Federal government; that is our local component. That includes both the transportation of those students, which is not going up very much, but the tuition we pay for students who have to be placed out of district. That is going to be going up a considerable amount so overall an 8.5% increase. A 22% increase in health insurance spending. That is the number we had when we passed our budget. Please put a footnote on that because there is additional information, which I will share with you later on in this presentation. A 17.6% increase in school bus payments to the MTA. We have good new management that we are dealing with at the MTA. Unfortunately, our school bus fleet is aging and we put off this year buying new school buses. We need to address the school bus issue and that is why that projected increase is so large. Finally, this includes a 5.8% increase in payments for City services. We will get into the details of these matters in a minute. This slide here shows, and for some reason it doesn't show in color but this shows where special education costs have gone. This is the component that is in our general fund; the portion that is not reimbursed from the Federal or State government. As you can see, the dollar amount has gone up, as well as the percentage of the general fund. We are projecting next year that it will be over 21% of our general fund budget. That is for teacher salaries...special education teachers within the District, tuition payments for students who have to be educated outside our District plus transportation costs. I mentioned health insurance earlier. This slide shows where our health insurance money has been going and it has been going up. As you can see we have had increases in FY02 of 25.88%, and projected FY03 of 23%. We originally were given a 22% number for FY04 and again put an asterisk by it because I have news on that since we passed out budget. The next slide and you can perhaps look at this better on the sheets in front of you is the City services that the School District pays for from City departments. We purchase services and we have now instituted in accordance with the settlement agreement we reached with the City departments, we have contracts each year in an attempt to get greater predictability on what is spent. As you can see, we purchased from the Health Department school nursing services. From the Highway Department, the Building Maintenance Division, we purchase janitorial and building maintenance services. From Parks & Recreation we purchase field maintenance and also snowplowing.

From the Police Department we purchase officers, known as SRO's (school resource officers) who help out in our middle and high schools and provide order and safety. We also purchase two D.A.R.E. officers. From Risk Management we purchase services relating to worker's compensation and other services. If you can look at those numbers and see that...the intent was no new services, just continue at the level of service we have now and the increase from that as I mentioned is 5.8% over the current year. The next slide shows our textbook expenditures. As Dr. Ludwell may mention later, textbooks is one of the 5% of items that is in what we would call the discretionary part of our budget and as you can see over the past few fiscal years we haven't had a lot of discretion. We are going to propose a slight increase this year going up to \$700,000 for textbooks but it is not nearly at the \$1 million+ level that we were at four years ago. The next slide shows our historical enrollment trends over the past 12 years. We see that our enrollment has risen each year from just over 15,000 students K-12 to our enrollment in October 2002 of 17,575. That is the enrollment number for this current year and we are projecting an increase of 150 I believe if the math works right for the coming fiscal year up to 17,725. The next slide and for some reason it doesn't show up on the slide at all and even if it did you wouldn't be able to read it very well so I suggest you look at your packet. This is our budget. It is the same budget that you saw at the March 10 meeting. If everybody has an opportunity to have it in front of you it is called Budget Night 2004, Budget Scenario #1, Version 5, March 10, 2003. As you can see the total actual proposed budget is \$128.5 million or a 6.1% increase. You see the 2002 fiscal year number off to the right and you see where things were projected as of March 10 to end up the fiscal year 2003. I say were projected because there are some things like fuel oil we know is going to be much higher and we addressed that last night at our Finance Committee meeting on the School Board. The next slide is the proposed general fund budget by category. The largest segment is salaries and benefits. We divided this up a little differently. We have 58%. That is for non-special education. We included all special education costs as a separate category. As you can see, that is 21%. That includes salaries, as well as other items. City services is 6% of our budget. Debt service is 7%. That is our payment on bonds, which is not a very high percent for schools around the state. Transportation of regular education students is 2%. Textbooks and supplies is 1%. That is what we would call the discretionary area. Fuel and utilities 1% and Other 4%. Other is also theoretically discretionary. It is a variety of small items. That is how you get up to the 5% discretionary number. This is a description of our full-time equivalent positions for the last fiscal year, this fiscal year and the coming fiscal year. As Dr. Ludwell mentioned, the proposal is to have two fewer positions in the coming fiscal year. One proposed additional teacher and that is to start a gifted and talented program in the District so we will be going from 1,199 teachers to 1,200 and steady state overall except that there would be three fewer Educational Assistants or Tutors. Now let's talk a little bit about our revenues and the pie

chart that you have in front of you. Perhaps you can see it better in the packet in front of you. The State Adequacy Grant, this is for the current fiscal year, amounts to 35% of our revenue. That is the \$42 million that we are receiving this year from the State. You should put an asterisk by that amount because we are not sure what we are going to get next year and we will talk about that on the next slide. Tuition revenue is 10% of our overall budget. That is tuition revenue we receive for high school students from surrounding towns. I will repeat what I stated on March 10. If the decision is made not to have tuition students from surrounding towns, we would save about 3% of that 10%. The other 7% of that 10% we still have those expenses. Those are fixed costs that go into running our high schools. That pays the cost of the principal at the high school, the football coach, the heat, the lights, the French teacher that will still have to teach whether or not students are there from surrounding towns. So that revenue is very important from our standpoint and it is a way for us to keep the property tax segment of the School District's budget lower than it might otherwise be. Again, 70% we estimate of high school tuition revenue goes to the fixed costs of operating our high schools. Only 30% are the additional expenses of accommodating those extra students. 2% is State Special Education revenue. That is what is sometimes called Catastrophic Aid and we also get some reimbursement from Medicaid. Other is 1%. That leaves 52%, which is the property tax but that 52% as School Committee Member Perry likes to remind me, is really made up of two components. There is the statewide property tax and the local property tax. The Statewide property tax we have to collect in Manchester whether or not we want to. That money is going to be collected. Part of only a portion of that property tax, which is called the District Assessment, is the amount that is actually appropriated and raised by you members of the Board of Mayor and Aldermen. That amount for this fiscal year is about \$34 million whereas the State tax is \$29 million. Just roughly 30% of our revenue comes from the local property tax and about 27% of it comes from the statewide property tax. This is a chart that shows specifically what our revenue projections are for the next fiscal year and again it might be easier for you to look at the chart in front of you. As you can see, the top line is the adequate education grant. That is the State Aid. This year we are receiving \$42.4 million. It is about the same that we received in the prior fiscal year. Under the State law that is currently in existence, we were scheduled for a raise in that Adequacy Grant this year to go up to \$44 million. That is in flux. There are a variety of bills pending in Concord, which will change that amount. Dr. Ludwell spoke with the Commissioner of Education, Mr. Donahue, and the number that we are using for working purposes is \$43.5 million. We understand that there are a variety of targeted aid proposals in Concord and a targeted aid proposal would tend to help Manchester. We have heard numbers that could be higher than \$43.5 million, perhaps \$43.9 million, \$44.5 million, \$45 million and as high as \$49 million. We are not sure, but obviously the higher the Adequacy Education Grant we get from Concord, the lower the effect on the local

property tax will be. We are all in this together on that line item. As you can see at the top are the various State revenue sources, including the State tax. That is our receipt from the statewide property tax. It gets collected here locally in Manchester and then we keep it in Manchester. Then you see the Federal revenues, which include Medicaid reimbursement for special education students. Then you get the variety of local revenues – the largest component of which is tuition. As you can see, this year we are getting \$11.5 million projected tuition revenue from surrounding town high school students. We are projecting \$12.2 million next year. That is assuming everybody is here. That is only for operating income. That has nothing to do with design-build. That is what we pay just to operate the schools and the tuition rate, which is projected to be about \$6,700 per student next year for operations only, not capital. The next to the bottom line is called District Assessment. That is a fancy term for the local property tax so you end up with a bottom line number of \$128.5 million. I am going to go briefly through some of these graphs. You saw them on March 10 when we got together. This chart shows how much Manchester property taxpayers were paying per student using 2002 dollars. As you can see, before Claremont came in Manchester bounced around between \$4,500 and \$4,900 per student and then when the Statewide property tax came in and the adequacy grants, the number that Manchester taxpayers had paid per student plummeted to around \$3,500 a year per student. The burden on the Manchester property taxpayer per student has dramatically decreased in the past three years. The next slide shows the total operating costs of our schools per pupil. We get this number from the State Department of Education, which keeps statistics. We have to provide reports each year based on our audited statements to Concord. You can see the blue number is the State average per pupil operating cost over the past five fiscal years to the point where the statewide average is now \$7,200 per student per year. Manchester is the red line, which is below that. We used to be about \$710 less than the statewide average. We have now gotten to the point where we are \$1,000 less than the Statewide average. That is what we are paying per pupil. Below that is the statistic of where we are on the rank from the bottom of Districts that go 1-12 or K-12. As you can see, out of 74 school districts in the State that have high schools, we used to be eighth from the bottom and in the current fiscal year we are fifth from the bottom in terms of per pupil spending. I believe this year we are doing better than Franklin and we are doing better than Farmington. We are doing better than New Ipswich but we spend less per pupil than Claremont. We spend less per pupil than Berlin. Now this slide shows how our tax rates compare with the tax rates around the State for school and municipal services. The colors here are a little strange but the triangle line that starts out in 1997 at the very top, that is what our school tax rate was per thousand on a Statewide equalized basis and as you can see before the Claremont money came in we were paying over \$17 per thousand and then it has gone down per thousand to less than \$11 per thousand. Again, this is based on statewide equalized valuations. Statewide, however, the

difference since the statewide property tax came in has been not as dramatic and that is the light green line. You can see Manchester used to be slightly above the Statewide property tax average for schools but now we pay less on property tax than the statewide average. The Statewide average is slightly less than \$13 per \$1,000 and we are slightly less than \$11 per \$1,000. Contrast that with the Statewide average for city and county taxes. I couldn't get statistics that separated out cities from counties so I have them merged here. The purple line is what Manchester's rate has been for city and county taxes. This is equalized valuation. You can see it has gone down slightly over time based on equalized valuation from just over \$13 per \$1,000 to just over \$13 per \$1,000. At the same time, the State average has also gone down some from about \$8 per \$1,000 to about \$7 per thousand. As you can see for municipal and county services Manchester taxpayers pay well above the Statewide average but for schools they pay less than the Statewide average. Now I don't think we should be surprised that Manchester taxpayers pay more than the Statewide average for their municipal services because we are a City and we have a lot of services that we provide. We provide good fire and police protection. We have trash pick-up and a recreation program, etc. but it still is interesting to show that while our municipal taxes are above average our school taxes are below average. We were asked...we are almost done and again you are not going to be able to read from the screen so you are going to have to look at your chart. We received the Mayor's proposed budget for the schools, which is \$127.075 million, which is about \$1.4 million less than our steady state budget request. We were asked to go back and calculate how we could make ends meet with respect to the Mayor's budget and we have made four adjustments to get there and there are four footnotes and I will spend just a couple of minutes with each one. Actually I am going to start with Item B, which is an \$881,000 reduction on employee benefits. As you can see from the footnote, after our school budget was passed our staff, as well as I believe Ginny Lambert met with Anthem Blue Cross and got downward revised numbers for the estimated rates for Blue Cross for the coming fiscal year. That is good news. We crunched those numbers and we estimate that we are going to save that amount of money next year. That is one place where we can reduce. Item A is another place where we are going to cut if need be and that is based on Dr. Ludwell's priority not to reduce teaching staff. He is proposing to eliminate 25 support staff positions and that could be in the education aide area, administration staff in the central office, etc. Twenty-five jobs. The estimated savings is \$500,000. We lumped it for purposes of this display all in the salary line item but that includes benefits as well. Next is Item C. The Mayor has placed a deficit...the deficit appropriation of \$581,000 in our budget. We hadn't included that in our budget partly because of the settlement that was reached as to the understanding of who was going to fund the deficit after the School District paid down the deficit to meet the targets. We exceeded the target last year and we are going to exceed the target this year. We appropriated \$500,000 for deficit reduction. It is a line item in our budget and we

are going to meet that. You may have read as well that we have encountered an additional savings in our benefits line item in our retirement account and we are assuming that we are also going to save \$1 million for deficit pay down this year. That was unappropriated. That was approved at our Finance Committee meeting last night. With that assumption, we would pay down \$1.5 million of our prior deficit this year. When we entered this fiscal year we had just over \$2 million left to pay off on the deficit. It had been \$2.7 million. Last fiscal year we paid down a little over \$700,000. That would leave us with a deficit from the fiscal year 2000 of \$581,077. That is placed in there and that is footnote C. Footnote D is what is left over to balance things and that is \$623,810 of unallocated cuts. As the Charter calls for, it is the responsibility of the School Board to figure out how to make ends meet after we are given our budget and we will do that when we get a budget back from the Board of Mayor and Aldermen. We are hoping that we may have some savings this fiscal year and there are also other cuts that we will have to make for next fiscal year but that is where it is. This slide and Dr. Ludwell will speak to this in a minute but this number does not touch teachers. You have \$623,000 hanging out there but it doesn't cut teachers because we have committed that we are not going to do that. Anything else below this is going to cut teachers. We don't see any other place to go. I have one last slide. This is the food and nutrition services budget for FY04. I don't know that it is terribly controversial. That does not use any tax money. It is self-funded from State and Federal reimbursements as well as school lunch money but it is a separate budget appropriation that we send over to you and there it is. It is proposing a \$4.85 million revenues and expense budget.

Dr. Ludwell stated I have five or six points that I would like to bring up as far as recapping this proposal to the Board. One is that insurance, special education and transportation costs continue to increase and that is the driving increase in the overall budget. You do not see technology in this budget. That remains and unfunded mandate. Given the State standards that we are forced to meet in just the next two or three years, that is a \$2.9 million item that we are going to have to address either gradually or all at one time. Professional development continues to remain an underfunded area in the budget. As you look at the budget you will notice that there is a \$100,000 line item for professional development for teachers. Rule of thumb is it is 5% of the budget. \$100,000 is about .78 or .79% so it is less than 1% of the recommended amount. If you take the rule of thumb in an average budget it should be about \$635,000 for professional development. The budget does show an increase in City services of 5.5%. That is the minimum. That does not include many of the recommendations that the City departments included. That is just to maintain the standard of service that we currently enjoy. 17.6% increase in transportation costs are due largely to the replacement of buses. Many of our buses are 10 or more years old so we are at the point where we postponed that as much as we could but we are at the point where we have to begin to replace

those. Finally I would like to address the issue of funding for books. It has increased; however, it is well below the \$1 million figure that we had four years ago. We are making only minor gains in that. If you look at the budget again you will see that there is \$90,000 for libraries and \$700,000 for textbooks. \$700,000 sounds like a lot of money. It is a lot of money but when you divide that by 17,500 students it comes out to about \$40 a book and if you think of the high school environment and the high school program it is not uncommon for a high school textbook to cost easily \$80/piece. The amount of \$90,000 sounds like a lot of money and it is a lot of money for library books but when you divide that by 17,500 students it comes out to about \$5/student. What I would like to reemphasize is that this is a steady state budget. It is a very lean budget. It ignores a lot of areas that should be addressed but it is a budget that we can live with. It will affect some support staff. It will affect some central office staff and it will affect approximately 25 support staff/educational assistants. However, if we are in education, which we are, and the most important thing is to protect the classroom teacher if we have this budget we can protect the classroom teacher.

Mayor Baines stated thank you very much for your presentation. I just have a couple of comments before I go to members of the Board. Seth will be distributing a memo, which I believe sets the tone for this phase of the budget process. You are going to be hearing, as I mentioned in my budget presentation there is some pain in this budget and you are going to have other departments follow who will talk about possible cutbacks in personnel to try to stay within some reasonable guidelines for the budget. Everybody is aware of the fiscal constraints that we have. We have asked the department heads to tighten their belts and make adjustments and look at other ways to economize in these very difficult times but it is going to affect personnel to stay within reasonable bounds. Again, as I have said in the memo that is being distributed to you we are going to hear worst case scenarios and we hear them every year and we are going to work with the departments to try to minimize the impact and also we are going to continue to work with the Finance Office to fine tune revenues and look at other changes that occur sometimes every day at this point in time such as what is happening with our pension obligations and other issues that we are trying to get a handle on. That is really the wildcard in this whole process. Obviously some good news came in on the insurance end but this is going to be a tough year. We are all going to have to work very hard. You are going to hear the Fire Department come in next week and they are going to be talking about some issues that they are going to have as far as their total numbers as well. This is just the beginning of the process but I want to commend the School District for the most thorough, complete and perhaps straightforward budget presentation that I have heard during my time as Mayor and I appreciate that.

Alderman Shea stated thank you to all members of the School Board who worked on this budget and the Superintendent and his office. Just going through this I have a few questions. Professional services is about \$900,000. Could you explain what you have in professional services please?

Dr. Ludwell replied it includes attorney fees, special education consultants and areas like that.

Alderman Shea asked you said attorney fees...

Dr. Ludwell interjected yes and a large portion of that reflects the cost of hiring special education consultants, whether for testing or to provide services and things like that.

Alderman Shea asked so that adds up to \$900,000 a year.

Dr. Ludwell answered yes, Sir.

Alderman Shea stated my second point is 441, which is rental of land and buildings. That adds up to almost \$500,000 a year and as we all know there are different areas of the City now being rented. What does the School Board plan on doing in regards to removing the cost of lands and buildings and beginning to assimilate this into some sort of building program for the elementary and kindergarten and pre-school children? Are we going to continue to pay this?

Dr. Ludwell stated Item 441 includes the cost of either purchasing or leasing the modulars and it includes a small amount for a warehouse and it includes the Easter Seals lease and this budget I do not believe addresses that. I believe the renting of that area approximates to \$230,000 a year. Would we like to move that into a district facility? Yes. We are not aware of a facility available. Are we looking at that possibility? Absolutely.

Alderman Shea asked does the design-build include trying to remove this or not.

Dr. Ludwell answered the design-build would include removing 12 of the modulars but it does not include remedying the situation with the pre-school.

Alderman Shea asked the debt service is almost \$9.1 million. What are your debts for? What does that include?

School Committee Member Donovan answered at this point at least half of the debt service is the fiscal year conversion bonds that were taken out when the City and the Schools went to a July 1 fiscal year, I think in 1993 or 1994 and we had to

bond for an 18-month fiscal year. That is a good amount of it. Those bonds will be paid off in another year and then we are going to go down by half the amount of our existing debt. That is why we have the capability to take on new debt for new projects because we will be paying off that amount. The other portion of it is for CIP budgets that have been bonded, small budgets, over the years. Certainly the McLaughlin Middle School would be in there but individually there is no large component other than the fiscal year conversion.

Alderman Shea stated the School Department is paying for buses. You won't own those buses. You are replacing buses so you are allocating a certain amount of money for the buses but you are not going to own the buses even though you are paying for the buses?

School Committee Member Donovan replied the way it works out with the MTA is they are going to work it out into the rate we pay. We basically pay a charge per bus per year and so to the extent that they replace buses the rate that we pay per year...it is a pass through. They will own them.

Alderman Shea asked and you are paying for them.

School Committee Member Donovan answered basically yes.

Alderman Shea stated it doesn't sound like the way I would want to do business but thank you.

Alderman Lopez stated on the first briefing we had we had a 21% increase on the document that we received at that meeting. Now we are at 8.5%. I just want to find out if the numbers are in the budget correctly. Is it 8.5% or 21%?

School Committee Member Donovan asked are you referring to the special education numbers.

Alderman Lopez answered yes.

School Committee Member Donovan stated that was an incorrect number and what that was was if you look at special education on the next page it is 21% of the...it was mixing up two percentages and it was corrected for the hearing in front of the School Board and it is corrected tonight. It is 21% of our overall budget. It is an 8.5% increase over last year.

Alderman Lopez stated I want to go back and maybe you can explain a little bit better the City services for the School District. Is this the first time you get

charged like when you go to \$15,000 for inspection fees and \$65,000 for sewage?
Is this a first time thing?

School Committee Member Donovan replied no. We get charged for fire inspection fees just like every other private facility in the City. I forget what the rate is. I think it is about \$300/alarm box per year. It is an inspection charge and we get charged along with everybody else. That is not new.

Alderman Lopez stated that is all I have except I want to say that in my four years as an Aldermen I think this has been a great process and I must commend you, Dr. Ludwell and your staff and Mr. Donovan an the Vice-Chair of the School Board. The cooperation and the numbers being forthcoming have been great to work with. Whether we agree or not is a different situation but I want to tell you that this is the best I have seen in communication and I want to commend you for leading that charge.

Alderman Wihby stated I have a few questions. Tom, maybe you can answer them. The first thing I would like to have and I don't know if it is included in this package is the year-to-date numbers for the revenues and expenditures that the School Board has.

School Committee Member Donovan replied I have a copy with me.

Mayor Baines stated we can make some copies of that.

Alderman Wihby stated you said that the School Board voted on the budget and then the number changed for health insurance. Mayor, I am sure the City side went down to so you already knew that when you did your budget?

Mayor Baines answered yes.

Alderman Wihby stated I am confused a little on the salaries. Salaries went up 4.7% but yet there are 24 less positions and there is \$1 million in that number that you had extra in last year's number for retirement that was in line item 110. Is that true?

School Committee Member Stewart answered actually in the School District budget there are three fewer positions but when we were adjusting to show what the difference would have to be to the Mayor's budget that is where the extra position adjustments came in. From FY03 to FY04 the change in the budget, the \$128.5 million budget, which we are presenting to you this evening is just three fewer positions. When we adjusted to the Mayor's budget we had to adjust

additional positions to show you how we might live with the Mayor's budget if we had to.

Alderman Wihby stated well I don't know what the percentage is now but using your number...well let's use your number. It is a 4.7% increase in salary with three less positions and an extra \$1 million in that line item for some savings that you had in 2003 for retirement, which I assume is in line item 110.

School Committee Member Donovan replied no it is line item 200.

Alderman Wihby asked so the \$1 million is in line item 200.

School Committee Member Donovan answered correct and we are not going to have that \$1 million overage again.

Alderman Wihby stated well let's go to employee benefits first. That went up 10.5% plus \$1 million?

School Committee Member Donovan replied the 10.5% includes the fact that we are calculating correctly the teacher retirement number.

Alderman Wihby asked but is the number for FY03 \$20,000,650.

School Committee Member Donovan answered I have to figure out whether that is before or after the savings. It would be accurately stated on the monthly number that is being copied for you right now. Actually I have a copy of it here so I can tell you. For employee benefits, line 200, we are projecting this year to end up at \$19.322 million.

Alderman Wihby asked so for employee benefits it is \$1.3 million plus a 10.5% increase in benefits. What is the real rate? 15%? They didn't come back and just say we are going up so much percent?

School Committee Member Donovan replied are you talking about...oh employee benefits is something that Ginny Lamberton did. We had, if you recall our prior discussion, we had increased it slightly from there because we are seeing greater utilization by our employees of the plan so in addition to having the rate go up by that we have more of our employees taking the plan and they are taking it a higher levels. In other words, they are taking the family plan.

Dr. Ludwell stated we increased it by 2.2% so it came up to a 14.2% increase.

Alderman Wihby asked on the new sheet was is the percentage of increase from FY03 to FY04. Do you have that?

School Committee Member Donovan answered I can get it for you.

Alderman Wihby stated while you are getting that maybe Leslee can answer...so the increase in line item 110...

School Committee Member Donovan interjected it looks like it is about 15%.

Alderman Wihby asked and that is including the extra \$1 million.

School Committee Member Donovan answered yes.

Alderman Wihby asked and the increase in the salary account is less hires but it is basically the steps.

School Committee Member Donovan answered yes and we have members of the bargaining unit behind us and we are beginning negotiations so we are going to be cautious on what we say.

Alderman Wihby asked when I go to the tuition line item why does that jump so high. Is it all special education increases?

School Committee Member Donovan answered yes. The tuition line item on the expenses...

Alderman Wihby interjected it is almost \$1 million.

School Committee Member Donovan replied right. That \$561,000 is...we are relying upon what we get from Karen Burkush, the Director of Student Services and the numbers for tuition have been going up. We are planning and we voted to bring two groups of additional high school special education students back in house and we are hoping and this is something that Alderman Gatsas has talked about, in both the high school autistic program as well as the EH program. We are hoping that we will see some savings from that. We are not projecting any savings in the first year but we are hoping that down the road it will result in savings.

School Committee Member Stewart asked can I add to that. Our tuition for FY03 is projected at a 22.4% increase from FY02 so we are actually having a better experience. We are estimating a better experience in the upcoming year.

Alderman Wihby asked when you look at the other number, when we start to use the Mayor's number, the last page explain to me the deficit again. What you are saying with this page here to get to the Mayor's number is you are paying off the deficit basically. You are going to put money aside and you are going to pay off that \$581,000.

School Committee Member Donovan answered well the \$581,000 is what would be paid off in FY04. That would be what is left of the deficit assuming we pay the additional \$1 million that we set aside last night plus the \$500,000 that is already in our budget.

Alderman Wihby stated that is what I want you to explain. Can you say that again?

School Committee Member Donovan stated under the settlement agreement we had to put aside \$500,000 for deficit reduction. We are going to meet that. It is in our FY03 budget. In addition, as you know because of the retirement savings we have set aside another \$1 million. That would equal \$1.5 million of deficit reduction out of this past fiscal year. Going into this fiscal year, based on our audit, we were just under \$2 million with an accumulated deficit. If you subtract \$1.5 million from that you end up with exactly \$581,077.

Alderman Wihby asked so that is paying the \$1 million that you have left over this year and using that to pay the deficit plus the \$581,000 into next year and that pays off the whole deficit.

School Committee Member Donovan replied yes.

Alderman Wihby asked where is the \$1 million.

School Committee Member Donovan answered we have recommended a line item transfer...

Alderman Wihby interjected I mean where in the Mayor's number is the \$1 million.

Mayor Baines stated that is in this year's.

School Committee Member Stewart stated it is excess that we would be paying this year.

Mayor Baines stated they are guaranteed to pay off this year \$1.5 something million out of last year's budget because of that extra...

Alderman Wihby interjected but where does it show up in your number. Wouldn't it show up as fund balance? I don't know where it is in your number, your Honor.

School Committee Member Stewart replied the net is the \$581,000.

School Committee Member Donovan stated that would show up in our FY03 number not our FY04 number.

Alderman Wihby asked as a fund balance right. You are not spending it.

School Committee Member Donovan answered yes. I think if you look at what has just been passed around to you, you are going to see that we have \$1.5 million now in that line item...for the deficit reduction line item. That is projected for this year-end.

Alderman Wihby stated well what is the \$336,000. Is that a positive or a negative?

School Committee Member Donovan answered that is also a positive but that was also...that has been encumbered or that is in the process of being encumbered and will be encumbered over the next year.

Alderman Wihby asked so are you going to have a fund balance that you are actually going to give us in FY03.

School Committee Member Donovan answered yes. \$1.5 million.

Alderman Wihby stated I don't know where that shows up in the Mayor's number. In what he gave us it doesn't show up anywhere. The fund balance is \$600,000.

Mayor Baines stated maybe Mr. Clougherty could add some clarification.

Mr. Clougherty stated at the conclusion of this year based on the information that the School District has given us they will end FY03 with a \$581,000 deficit. They will need an appropriation in next year's budget of \$581,000 in order to be able to insure that they will end that fiscal year at zero.

Alderman Wihby asked so Kevin does the fund balance or the deficit that they have that they are giving us...it doesn't show up on our books because they are carrying it on their side.

Mr. Clougherty answered it benefits our fund balance because we have to...as you know in the past we have had to have an amount equal to their deficit on the City side. To the degree that that number is reduced it gives us capacity to use fund balance on our side.

Alderman Wihby stated right and if you look at the number that the Mayor used he only used \$600,000.

Mr. Clougherty replied right but if you recall the tax stabilization ordinance that was passed allows you to only use half so \$628,000 is half.

Alderman Wihby responded okay. One more question. On the revenue side if I look at the sheet that you passed out on the revenues and I look at...if I add up the columns for 2003 and using the Mayor's number for 2003 there is a number of \$15,000,007 and if I add up...there are six or seven columns that add up to that amount so I know that is the right number for that side. When I look on the left-hand side for 2004, the Mayor used \$44,445,000 and you used \$43.5 million. The Mayor used an extra \$1 million in revenue.

School Committee Member Donovan stated on the revenue side we were...Dr. Ludwell has been listening to what the Commissioner of Education says and is being conservative on the revenue side. I am not going to speak for the Mayor but I think the Mayor has other information as to what is happening in Concord and it is based on what people are getting from Concord.

Mayor Baines stated what I said during my budget message...I used the State adequacy promise in there realizing as you described that there are various proposals that are drifting around that Manchester might even do better. That is the wild card of this whole thing, which I explained during the budget message. We are using the adequacy number.

Alderman Wihby asked and schools are using the old number.

School Committee Member Donovan answered we are using the best guesstimate of the Commission of Education.

Mayor Baines stated in fact I think, and Alderman Gatsas can correct me, but the bill that is coming through the House right now has a number that is even greater. What is going to happen to that bill in the Senate, nobody knows.

Alderman Osborne stated I want to know how long it is going to be before Easter Seal...how long are the Wilson kindergarten students going to be there.

Superintendent Ludwell stated I think the whole issue of the preschool and early childhood education is something that we, as a community, are going to have to address. I don't have a short-term reply for you other than are we actively looking at other locations, yes. Do we have any? No.

Alderman Osborne asked the cost of that is what about. \$60,000 a year?

Superintendent Ludwell asked the cost for Easter Seals. About \$230,000 a year.

Alderman Osborne asked and the portables you have no idea when these are going to be...the portables at Wilson and Beech Street. When do you think these are going to disappear?

Superintendent Ludwell replied according to enrollment projections the populations at those schools should allow those to be removed in the next probably four to five years.

Alderman Osborne asked so the student enrollment at that level will be reaching high school level. You say there is going to be a decrease in enrollment.

Superintendent answered at the early childhood, yes. At the elementary level, yes.

Alderman Osborne stated well eventually they are going to be reaching the high school level.

Mayor Baines stated we hope.

Alderman Gatsas asked on the School District's general fund revenue projection page you have a State tax of \$32.819 million. What is that effective tax rate?

School Committee Member Donovan answered for that number we are using...it is assuming there is no legislative change on the tax rate. The number \$5.85 sticks in my mind.

Alderman Gatsas asked, your Honor, can you tell me on your budget did you use the same \$5.80 because that is a below the line item.

Mr. Clougherty stated I can check for you but my understanding is that they did use the same number.

Alderman Gatsas asked can you tell me on that same page where the State reimbursement for transportation line item is.

School Committee Member Donovan replied that we are going to have to get back to you on. I am not sure I know where the...unless somebody else can tell me...I am not sure there is one unless you are talking about some special education thing. For regular transportation I am not aware of a regular transportation reimbursement amount.

Alderman Gatsas asked that must be in the Adequacy Grant then.

School Committee Member Donovan answered it would be worked into the Adequacy Grant. When they redid the formula, everything got worked into the Adequacy Grant.

Alderman Gatsas asked if we go to where Alderman Wihby was going and if we look at your numbers for...the top of the page says 2004 Budget Scenario #1 Version 5, if my recollection is correct and if I go to the FY03 adjusted budget if I subtract the \$1.3 million from the \$20.650 million because that was the line item that had the excess retirement amount in it of \$1.3 million, that number would reduce to \$19,354,090. I understand if I use the entire 12% against that entire number, which includes not only health insurance but the retirement figure and the matching FICA, if I use 12% I am probably within the guidelines of the 15% or did you use 14% for health insurance.

School Committee Member Donovan replied 14%, yes.

Alderman Gatsas asked so if I use 12% for that entire figure it would bring me to the 2004 side projected of \$21,672,548.

School Committee Member Stewart replied I have that page. Actually we have a page that was given to me this evening that hasn't been prepared for you that we will get you but the FY03 projection on that line is \$19,622,490. Then we have by item FICA, Medicare, life insurance, disability, state retirement, City retirement, health insurance, dental, unemployment, worker's compensation...the adjustments to the FY03 budget bringing us to FY04 number, which I think you will...the adjustment with the \$1 million taken out which we were talking about and then there is about \$300,000. \$21,906,840.

Alderman Gatsas stated my recollection was that it was \$1.3 million in your adjustment figure but the \$1.3 million should be adjusted, not \$1 million. If we use the \$1.3 million that was the overstatement of the retirement, it would bring you to the \$19.350 million.

School Committee Member Donovan responded it is even more complicated than that because we had the \$1.3 million savings in retirement that is right but the

savings...when you saw the number for the work that was put together it included the savings for the current year and it didn't equal \$1.3 million. It was more like \$1 million and that is because the rate is going up this year for retirement obligations for teacher retirement. It is less but it is still not \$1.3 million less.

Alderman Gatsas stated I am trying to do the simple math and the simple math is if I take \$20.650 million and I subtract \$1.3 million because that was the number in FY03 as an actual, that brings me to \$19,350,490.

School Committee Member Donovan replied we think we are going to do better than that. We think we are going to do \$19.322 million.

Alderman Gatsas responded well that is great. If we take 12% of that, that brings me and I am giving you a higher number so you can appreciate that...

School Committee Member Stewart interjected actually you are not because a number of these items have been budgeted based on 20% so you are not. A number of them have been based on much more than...

Alderman Gatsas interjected but the highest percentage that you have is the medical insurance and I am sure you haven't adjusted matching FICA, which is 7.65 at 20% because as far as I know that hasn't changed. That has to be 7.65 on \$70 million, which is a pretty big number of that \$16 million. I think I am probably giving you the benefit of the doubt when I am looking at this number. 12% of that brings you to \$21,672,548. If I take that number and I put it into the Mayor's or the second to the last page that you have it is about a \$600,000 difference than what you are showing for the proposed Mayor's budget reduction. You are showing \$21.906 million and I am at \$21.382, which is about a \$500,000 difference.

School Committee Member Donovan stated I think part of the issue there is we are using a 14.2% increase, not a 12% increase for health insurance and that is because of increased utilization and at higher levels.

Alderman Gatsas stated maybe what I need to do then is get a breakdown of that line item 200.

School Committee Member Donovan responded we can get that for you.

Alderman Gatsas stated I think School Committee Member Stewart had it there at her fingertips. What are the numbers for health insurance? What was it in FY03? How about if we use the FY03 number because that is an actual that we are looking at.

School Committee Member Stewart responded the health insurance projection for FY03 is \$10,808,703.

Alderman Gatsas asked matching FICA.

School Committee Member Stewart answered \$4,073,789.

Alderman Gatsas asked retirement.

School Committee Member Stewart answered there are two. State for teachers, as well as City. The State is \$1,559,078. The City is \$317,235.

Alderman Gatsas asked is there anything else on your list.

School Committee Member Stewart answered there is also dental and health insurance.

Alderman Gatsas responded we have health insurance as \$10.08 million. What is your dental?

School Committee Member Stewart stated \$1,102,269. Do you want Medicare? It is almost \$1 million or \$953,808. Life insurance is \$203,151. Disability is \$64,875. Unemployment is \$74,169 and worker's compensation is \$165,413. I think that should do it bringing us up to \$19,309,432 plus the \$300,000.

Alderman Gatsas asked for what.

School Committee Member Stewart answered that is an adjustment to be transferred that we were talking about – the \$1.3 million last night that we were talking about.

Alderman Gatsas asked why are we putting it in there if it is not a cost. What was your number?

School Committee Member Stewart answered \$19,309,432.

Alderman Gatsas stated and I was at \$19,354,090 and I was giving you 12% on the entire amount instead of only 14% in the vicinity of \$12 million. I guess I can do the math. You said it was how much, 14% for the medical increase?

School Committee Member Stewart replied 14.2%.

Alderman Gatsas responded so that is \$1.6 million and I am giving you a total of somewhere around 12% on that amount, so I am giving you \$700,000 more at a 12% rate versus the 14% on just the medical side.

Alderman Wihby stated you can't take 14.2% because the 2.2% isn't on top of the 12%. The 2.2% is separate. The 2.2% you have to go back to the original whole premium.

Alderman Gatsas responded I am using 12% on the whole number of the \$19.350 million instead of an arbitrary number of 14% on \$16 million. I am giving you, to your credit...if I go back on through these numbers I don't know where you come up with the number that you are at because if I take just the medical costs and the dental insurance along with your disability and your life, if I give you 14% on all of those I don't know if we are going to get to the number.

School Committee Member Donovan replied we could do the math but I think it is all right here in the chart. The chart, as you can see, was created on March 10, 2003, which is after we knew about the retirement savings and before we knew about the Anthem savings.

Alderman Gatsas stated if we can go back to where the Mayor is on the second to the last page, if we put in the number \$21,382,291 I am trying to get to a number that...you just added \$300,000 back into a number and the total you gave me was \$19.309 million.

School Committee Member Donovan responded I think you have to look at the columns and I haven't checked the addition but I think Karen DeFrancis is pretty good with math and the FY04 budget, which you had as of March 10 came in at \$22,788,832, which is exactly what we approved. That number for health insurance was a 22% increase, which is exactly what we were working with and then what she did after we learned about the discount from Anthem is she changed the health insurance number from a 22% increase down to a 14% increase and that is where you get the difference of \$881,000.

Alderman Gatsas responded right but there is still that mystery of the \$300,000 from the \$1.3 million that we need to deduct to begin with. Last year's retirement number was in excess of \$1.3 million on a miscalculation. If we take that number directly out of any calculation that we do, if we take it out of the \$20.650 million directly for the FY03 number and if I give you 12% on matching FICA, which is \$4 million which we don't have to do but I am giving it to you on the total amount, instead of 14% just directly for health insurance, the average amount is about \$800,000 more if we did it on a regular calculated basis.

School Committee Member Donovan stated I think what Alderman Gatsas is trying to get at is the difference between the budget and the projection for State retirement for teachers. That shows a difference of \$1 million but then you have to deal with State retirement-others because we saved on teachers about \$1 million in retirement and for administrators we saved about \$300,000 so the combination of the two is the \$1.3 million. It is in there. It is in a different line item. It is in the State retirement-others account.

Alderman Gatsas asked which is where.

School Committee Member Donovan answered right under State retirement-teachers.

Alderman Gatsas asked what is the line item number.

School Committee Member Donovan replied it is on this sheet here; the worksheet. If you look at FY03 budget versus FY03 projection there is \$1 million savings on the teacher retirement and a \$300,000 savings for others.

Alderman Gatsas stated but that line item is still a line item that if you total up what Committeewoman Stewart gave me is \$19,309,432. Why did you arbitrarily put in another \$300,000 in those line items?

School Committee Member Donovan responded we didn't. We subtracted \$1.3 million off of the FY03 budget. It is \$20.65 million minus \$1.3 million, which comes to \$19.3 million.

Alderman Gatsas stated right and she said that her number was \$19.3 million and then it was \$19.6 million. I agree with your number and I am giving you \$19,350,490. If I multiply that times 12% that is where I come up with the \$21,382,291.

School Committee Member Donovan responded my comeback to you on that is 12% is arbitrary and it doesn't reflect what we are actually projecting for the 10 component line items of that, including a 14.2% increase on health insurance, which is over half of that whole amount.

Alderman Gatsas stated I agree so the other half is not going to move. FICA is not moving. That is not an increase.

School Committee Member Donovan replied actually FICA will move because salaries are moving and Medicare will move because salaries are moving.

Alderman Gatsas stated but it is not 12%.

School Committee Member Donovan responded no.

Alderman Gatsas stated that is all I am saying. I thought I was giving you the benefit of the doubt using 12% on the whole line item. Let's go on to the next issue. The number that you talked about on...well it says here City Services for the School District. The third one down is building maintenance. I assume that is janitorial services.

School Committee Member Donovan replied yes and there is some preventive maintenance in there. There are painters, electrical supplies, etc. It is everything that is done in-house for maintenance, which is largely janitorial services but also some minor repairs.

Alderman Gatsas asked how much of that is janitorial.

School Committee Member Donovan answered the Highway Department does a very good job with us. They treat us like a customer and when they show us their proposed budget they give us colored pictures and try to get us to increase the budget as much as possible. That is a good thing. The custodial maintenance number is \$3.424 million. Actually it is a little bit higher than that because...it is \$3.424 million plus I believe \$38,000 so that would be about \$3.460 million.

Alderman Gatsas asked let's say \$3.5 million. \$1.4 million...I assume that is not going to be spent on buildings that we are going to start renovating if we go forward with the project?

School Committee Member Donovan answered I can tell you what the other components are. We have \$281,000 for administration at the Highway Department who administers the whole program. Roughly \$3.5 million is for custodial maintenance and then we pay \$625,000 roughly for mechanical services, which includes preventive maintenance, etc. Then we pay structural \$450,000. That includes some building technicians and electricians. Then other maintenance we pay \$132,000, which is special emergency projects. That gets you up to \$4.952 million.

Alderman Shea stated just so I can follow...it is very difficult to follow Alderman Gatsas because we tend to get very technical but so I can understand this if the teachers do receive a pay raise that increases your FICA and your Medicare expenses, which you have to guesstimate. Is that correct? In other words, a lot of these projections are guesstimated so that if you were to come in with a specific number predicated upon what your actual costs are now and then what would

happen is you would have to spend extra money because of these unanticipated costs you would then have a deficit. Is that my understanding of this or could you make that up in a line item or whatever?

School Committee Member Donovan replied because teacher salaries and benefits are what percent of our budget...

Superintendent Ludwell interjected 72%.

School Committee Member Donovan stated there is no way that we could make-up by cutting back in textbooks or anything like that. We can't make that up if we arbitrarily say we are not going to budget any additional funds for FICA or whatnot.

Alderman Shea asked in the event that they unfortunately don't go up you would then be able to have extra. In other words you would come in with a little bit more money than you would otherwise come in with. Is that correct?

School Committee Member Donovan answered we are at the early stages of teacher negotiations. People are aware that there are issues relating to steps, etc.

Alderman Shea stated I don't want to go into that. All I want to know is in the event that there is less money spent for these items that would allow you to have a surplus rather than a deficit. Is that correct?

School Committee Member Donovan replied that is correct. Our projection is we would do that through rifting teachers.

Alderman Gatsas stated on Budget Scenario I – Version 5, Professional Services...I think Alderman Shea started there but I would like more specific answers. What are the total attorney fees in that line item or maybe just break out for me the \$910,000 and what it is for.

Superintendent Ludwell replied I don't have the breakdown but I can tell you the area for professional services include physical therapy, occupational therapy, auditors, legal fees, special education, interpreters, speech therapy services, computer network contracts and those are just some of the areas. I also mentioned legal fees in general to. We will try to get the breakdown for you.

School Committee Member Donovan stated not that there is anything wrong with legal fees but in the special education environment, unfortunately, it is more litigious than we would like and we find ourselves in court more than we would like because of a decision that is made by the District with respect to the type of

education the students should receive. The parent may disagree and the parent has the ability under the IDEA to take the District to court so at least from what I can see and I look at the legal bills once a month, it looks to me like the bulk of our legal bills are cases relating to those student issues – the highly specialized area.

Alderman Gatsas asked on a best guess how many of those student evaluations at the court level do you think that you have in the course of a year.

School Committee Member Donovan answered three.

Alderman Gatsas asked so the legal fees we are talking about are three court cases. Now maybe we can get more general and more specific on that \$910,000.

Superintendent Ludwell stated there might be three court cases but there might be additional consultation, due process and things like that. Another problem that we are falling into and I think we are all aware of it in listening to the news is the job market relative to education to educators and teachers in general and if we can't locate individuals, specialists, who we can hire on our staff then obviously if that service is included under an IEP then we have to provide that service by hiring a consultant to do it and that is much more expensive than having someone on staff. We have run into that in some areas and I am thinking in particular in the area of speech and there are other areas that we just have not been able to locate someone. If you look through the paper you will see an ad frequently trying to locate those professionals that we simply cannot.

School Committee Member Donovan stated we also...to the extent that we have employment issues we also...if we have a disgruntled employee our issue with termination of employee unfortunately many of those end up in the legal process as well.

Alderman Gatsas stated I would like the specific number that is related to legal fees for students. I am not concerned with legal fees related to disgruntled employees or any other situation that you may have. My concern is what the number is for a student.

School Committee Member Donovan responded we can get that for you but we can't get that to you right now.

Alderman Gatsas stated I have one last question. I heard a God-awful word and that was warehouse. We don't still have a warehouse and a warehouse manager I would hope.

Superintendent Ludwell replied we don't have a manager. We have a portion of a warehouse largely for food service. It does handle some of the art supplies at the very beginning of the year as they come in but we do not have a manager anymore.

Alderman Gatsas asked how much is the warehouse rent.

School Committee Member Donovan answered if you are looking for that we at the School Board were not happy about that either but the cost is less for several reasons. One is we don't have a warehouse staff person anymore. Second we bought in bulk our paper this year at a great savings and in order to achieve those savings we needed a place to put it. We have less space this year than we have had in the past and food service, which needs a warehouse and which is not paid through the general fund is using a larger percentage of that smaller space.

Alderman Guinta stated I have one question regarding the State Adequacy Grant. If the grant exceeds the amount that you budgeted do you plan on adjusting your budget up or down.

Mayor Baines responded I can't answer that question. That is up to the Aldermen. That is a revenue...it would have to have an appropriation. That is sort of why we got into this deficit issue in FY00. It has to be appropriated. That is my understanding. Am I right Kevin?

Mr. Clougherty stated once the budget is adopted if the revenues increase then that will be reported to the Board and unless it is appropriated for another purpose it will go for tax rate setting purposes to reduce the tax rate.

Alderman Gatsas stated the RSA won't allow us to do that. It is against the law to do.

Mayor Baines responded well I think we have a little dispute over that because that is how we ended up with a deficit in FY00.

Alderman Lopez stated for clarification, Kevin said something and Alderman Gatsas said something else. Now what are we going to believe here now?

Mayor Baines replied I generally rely upon Mr. Clougherty on financial matters of the City and I also rely on Atty. Clark for legal opinions and all monies have to be appropriated.

Alderman Gatsas stated I guess I must be wrong.

Mr. Clougherty stated the answer from our perspective is that is how that would flow. If there is a State law that says that that money has to be used for education then it becomes an appropriation issue and it comes back to the Board.

Mayor Baines stated and our Charter covers that issue as well.

Alderman Guinta stated so Kevin let's just use your scenario for a moment. The Board would determine how we utilize State Adequacy Grant money and we could theoretically use it for something other than education?

Mr. Clougherty replied if the State Adequacy education money has to be spent during the particular year, if that is the case because of the legislation and I am not as knowledgeable on the education laws as I once was when we were involved with the School Department but whatever the law says that is what we are going to follow and if the law says that it has to be appropriated then you are going to have to go through an appropriation process with the School Board to allocate those funds. They cannot just receive those funds and expend them.

Mayor Baines stated also in FY00 that is when the first...if you go back to FY00 before some of us were here when the first \$32 million came in that is exactly what happened. A good portion of that was used to reduce the property tax. In fact the property taxes were reduced that year largely because of the Adequacy Grant. That is what a portion of it was used for.

Alderman Guinta stated let's stay focused on this...

Mayor Baines interjected it is relevant because it is the same issue and that is why I brought it up.

Alderman Guinta stated I have a lot of concerns in this particular area and I want to make sure that this Board and the School Board can work cooperatively to determine what the best use of those funds would be and I think I would like to get into a situation where we know ahead of time what we are going to be doing before that number is higher. A further question, Kevin, would be the State cuts a check so who do they cut the check to? Are they cutting it to the City of Manchester or the School District?

Mr. Clougherty replied my recollection is it goes to the School District but I would have to check.

Alderman Guinta stated if it is cut to the School District but the Board of Mayor and Aldermen determines the use of that money how do you reconcile those two issues.

Mr. Clougherty responded the Aldermen are the appropriating body for the City so there cannot be any expenditure of funds for anything, education included although it is a bottom line appropriation, without a vote of the Board. If there is additional revenue that comes in...we are talking about two different things. We are talking about expenditures that you appropriate and we are talking about revenue. Now the revenue that comes from the State is one piece of revenue that goes into the mix to provide educational services in the City and maybe all of the adequacy State monies are the first dollars spent in a sense for education in which case other dollars that would have come in would constitute the fund balance. I would have to go back and look at that. That is how you might end up with a surplus at the end of the year. There is also a provision in the Charter that allows for the City to consider additional funds that are expected to become available and that has to be appropriated by the Board. There are two alternative paths that the Board would have to consider. I appreciate the question and I would be happy to research it and get you an answer for the next meeting.

Alderman Guinta responded I would like an answer because I think...I mean the scenario I envision is that a check is cut to the School District and the School District is holding the money and probably has plenty of things they can spend it on and they are waiting for this Board to make a decision on how they can use that appropriation.

Mayor Baines stated I would clarify it one step further. We need to make an appropriation based on what we feel collectively is the right appropriation for the School District notwithstanding any revenue sources. That is the process.

Alderman Guinta responded true but we are not even...we don't even agree or at least the school number and your number are not the same.

Mayor Baines replied right but the budget number is based upon the delicate balance between what is an appropriate appropriation not only for the School District but every department in the City balanced with what is reasonable in terms of a number to increase property taxes. They have property tax revenue and all kinds of sources of revenue. They also have tuition revenue. I will give you an example. If, in fact, their tuition revenue numbers because they get tuition dollars from the sending towns, if that exceeds what they estimated in their budget they cannot go out and spend those additional tuition numbers on their own because the only body that has the authority to appropriate expenditures, bottom line expenditures, and increase the bottom line expenditures is the Board of Mayor and Aldermen. That is the way it exists at the present time.

Mr. Clougherty stated that is accurate, Mayor, but when we go to set the tax rate in November we will know what the projected revenues are and what the grant is versus the expenditures for the District and whatever the difference is will be used to reduce taxes if that is the decision at the State as long as the amount that you are spending for education in total is more than the adequacy grant.

Mayor Baines asked what was the total percentage again for the Adequacy Grant as part of the budget that you presented tonight.

School Committee Member Stewart responded 35%.

Mayor Baines stated it is only 35% of their budget.

Alderman Guinta stated so my original question was if the number exceeds the \$42 million that you are currently anticipating is there a scenario that...what is the scenario in your opinion. I have heard what Kevin is saying and I heard what the Mayor is saying but is your scenario...

School Committee Member Stewart interjected it is real easy. You tell us what the bottom line is. We are hoping it is going to be \$128.5 million. That is what we live with. If more money comes in through revenues, I think Kevin said it best that one can assume as the game is played that the first dollars spent were the ones that came in from the State Adequacy Grant or the State property taxes. This is the way it has been for as long as I can remember.

Alderman Guinta responded that is fine. I just want to make sure that we all understand that.

School Committee Member Stewart stated I think we all hope that the adequacy grant is more because that means the taxes are going to be reduced.

Mayor Baines stated I would like to ask Alderman Gatsas if he knows when that issue will be settled.

Alderman Gatsas responded my feeling is it is going to be settled in June during the budget.

Mayor Baines stated so about the same time as the budget.

Alderman Gatsas replied the State budget.

Mayor Baines asked do you have an approximate date. Would it be after our date?

Alderman Gatsas answered it very well could be.

Mayor Baines stated so let's say at the State level that issue was flushed out before we actually adopt our final budget then we would have the option of making some adjustments to their budget if we so chose that route.

Alderman DeVries stated I was going to follow-up on a little bit of what Alderman Guinta was chasing there. So you are saying that if we did receive a greater amount in the State Adequacy grant before we finalize our budget we could change the appropriation to the School Board. Is that what I just heard?

Mayor Baines responded yes you can change that right up until the second Tuesday in June.

Alderman DeVries asked if after we have made all of our departmental and District appropriations we receive the excess revenue from the State of NH is that going to be deemed a one time revenue by the Finance Officer or a repeat revenue and will it be subject to ordinances that we passed last year.

Mr. Clougherty answered in my opinion it would not be considered a one time because it would be an increase to a revenue that you always have included in your budget.

Alderman DeVries asked could you say that again slower.

Mr. Clougherty answered it would not be included as a one time because you have already got a number in your budget so this would just be an increase so I would not include it as a one time revenue.

Mayor Baines stated also when we are about to go to the DRA and when the Finance Officer is going to have to certify what he anticipates to be the revenues, whatever the State Adequacy Grant will be, that would be figured into the revenue formula to set the tax rate.

Alderman DeVries asked if before we set all of our departmental and District budgets we wished to make a supplemental appropriation to your budget because we find out that number will be substantially higher than what is budgeted tonight, would you at the School District be able to delegate that ahead of time so we know what we are funding. Are we looking at textbooks? Are we looking at supplies? I think those are the things my constituents continue to say they feel fall short each year.

Superintendent Ludwell replied those monies could be spent many times over. I invite any member of the Aldermanic Board to go into any school and take a look at the collection in the library or media center and look at the age of the books. I mentioned at the beginning of this meeting the \$2.9 million shortfall in unfunded mandates if you will but unfunded issues relative to technology. If you look at some of the materials for design-build you will see that some of the high schools are adding to their science programs but we can't provide the equipment. There are many, many areas.

Mayor Baines stated the only other thing I would add and I appreciate that question is that this is the first department and other departments are going to come in who would like \$500,000 more or \$1 million more.

Alderman DeVries stated it is always a difficult decision when we are talking about shutting down firehouses and police stations or funding schools at 100% of their request.

Alderman Wihby asked on the fuel number how come you are expecting that to go down. It is like a 25% decrease. Did you buy extra this year?

School Committee Member Stewart asked are you looking at the same page we are because I am seeing fuel oil increasing by 15.6%.

School Committee Member Donovan stated we had projected it to go down this year, which has proved to be false and not because of the price we pay but because of the amount of fuel that we needed and then it is projected to go up by 15% next year.

Alderman Wihby asked what is the number you are using for next year.

School Committee Member Donovan answered \$412,000.

Alderman Wihby stated you used \$522,000 this year.

School Committee Member Donovan replied right but we only budgeted \$357,000 this year.

Alderman Wihby stated so my question is why are you anticipating less than \$522,000 next year.

School Committee Donovan replied we are expecting to have a warmer winter next year.

Alderman Guinta stated I have one question on the debt service line. Tom, the \$9.5 million...you mentioned earlier in your presentation that by the end of next year that figure should drop roughly by half because a bond payment will have been completed.

School Committee Member Donovan responded right and Kevin may have the sheet, which I don't have in front of me but it is not FY04 and it is not FY05. It is FY06. Am I right, Kevin, which would be July 1, 2005? As part of the design-build presentation there are charts that show that.

Alderman Guinta stated so you mentioned that there will be that amount of money in new bonding capacity for future projects.

School Committee Member Donovan answered correct. That is part of the financial package that goes into design-build.

Alderman Guinta asked so the design-build has an impact or is reliant on \$4.5 million of this budget.

School Committee Member Donovan answered there is no impact on design-build. Actually I think we put in a very small amount under debt service for design-build for next year. It may be \$100,000 or something like that. Our existing debt is around \$9 million for FY04 and FY05. It then goes down to around \$5 million in FY06 and then it goes down again in FY07 to I think and Kevin may have the chart but is it about \$4 million?

Mr. Clougherty responded it goes down to \$3.5 million.

School Committee Member Donovan stated so it goes down over half three years from now.

Alderman Guinta asked and that savings, Kevin, we are going to be using as part of the funding mechanism for design-build.

Mr. Clougherty stated if the intent of the Board is to stabilize capital expenses. If you are within an amount no more than the \$9 million you are currently paying then as that profit is created over time you could through the issuance of revenue bonds fill that trough and still have the capacity. Those were the graphs that were presented at the last meeting.

Alderman Smith stated if we pass this budget at \$128 million and so forth there will be no teacher lay-offs and that is the most important thing. The teachers come first. Second of all I am concerned with the textbooks. Two years ago you

received over \$1 million and now you are at about \$550,000 and you are asking for \$700,000. My question is how old are the various textbooks for difference science, math and history classes? How old are our textbooks especially for secondary education?

Superintendent Ludwell stated we are auditing that right now. It is a two-pronged reply. First we are auditing it. We did have two sets of textbooks at the very beginning of this year that we had to literally purchase a new series because they were high school science textbooks. One series was dated 1985 and the other was dated series 1987. As I shared with the Board at the last meeting relative to the budget the District is now on a curriculum cycle and the Aldermanic Board could expect easily every year a different discipline coming due as far as a textbook adoption and I would anticipate that being in the neighborhood of a minimum of \$700,000 and probably \$800,000. Obviously some areas, i.e. communication arts and language arts are more expensive than others. Also, I think we have to anticipate a plan for besides having an \$800,000 or \$700,000 budget item relative to new textbooks because we do have many series that are dated, we also have the added expense of workbooks at primary grades. We also have the added expense of additional textbooks whether it be due to wear and tear, lost books or additional students. I do anticipate that being an ongoing expense that you would see in future year's budgets.

Alderman Lopez stated Dr. Ludwell could you explain for the public about pink slipping teachers before April 15 and if that is still a law. Just explain what we are talking about if don't pass a budget.

Superintendent Ludwell replied yes, Sir, in fact that is how I was going to end tonight by asking for some direction by this Board. As some of you know, I have a very...we have a very serious decision to make relative to the professional lives of many of your teachers, newer teachers. The law requires us to notify them prior to April 15 if we have to reduce in force because of our budget or for some other reason so we are under somewhat of a deadline that if we do not receive some rather firm direction from the Board that it will be necessary to notify many teachers by April 15 that they no longer have a position for next year.

Alderman Lopez stated just to follow-up what does that do to the teachers, the professional people that you have in the long-term. Do they find another position someplace else?

Superintendent Ludwell responded it does something to everyone in the educational community. It does something to the morale at the school. It does something to the morale of the School District. We will do everything we can to assist them in finding new positions. Many of these teachers are some of the

teachers with the highest level of energy and the freshest skills in the field. We are torn because we want to keep them in Manchester but we also are cognizant that they have not only a professional life that they have to try to secure and keep on track but they also have families. Many of them are students just out of college who think they finally made it and they are writing home to Mom and Dad that they just bought a new car or got an apartment or whatever. It is very difficult. I think we also have to balance that against...all of us read the news everyday and we read what is happening to numerous other communities who are forced to lay-off perhaps some of their teaching staff. We would be looking at a rather significant number.

Mayor Baines asked can I clarify that and I think Alderman Shea may be able to comment on this as well. What happened to me during that period of time when we did things like that is we lost some of our very best teachers because what will happen, especially in some of the critical shortage areas like math and science and just the way that the seniority list would work you lay-off a math teacher and that teacher is instantly taken by another school district. I know the last time this happened when I was a principal at West High School I lost an extraordinary math teacher and an extraordinary science teacher and to be quite frank with you I could not replace those teachers – the quality of teaching that walked out that door simply because of the competitive nature of it. We have all seen that through the years. You tend to lose some of your newer people, some of the highly skilled people that you brought in and attracted. It really creates a significant deficit. That is why we have always tried to avoid it over the past several years.

Alderman Shea stated I know that Alderman Garrity has brought this up concerning graduation. It is a very small amount in comparison but it has to do with the community at large here. The amount requested is \$25,000 but there are certain schools, I believe West High School requests that they graduate at Veteran's Park rather than renting the facility at Verizon and I wondered if that figure is set in stone or is it something that is predicated upon the three classes graduating at the Verizon? I know that there are expenses in terms of diplomas and all but there is a rental fee involved and I just want to get to that.

School Committee Member Donovan stated we are not going to talk to you about...I don't think that was a good conversation we had with you last year. We are going to have the graduations at the location that the students at those high schools want. If it is at the Verizon Arena, they are going to have it at the Verizon Arena. West High School, if they want to have it at Veterans Park they are going to have it at Veterans Park. We have the money in the budget for that.

Alderman Shea stated I know that there was a lengthy discussion about the extra amount that we had to either appropriate for that as parents came in and were quite

concerned...I received quite a few calls about that. What you are indicating is that wherever the students prefer to graduate or to hold their graduation exercises that in fact will be where it will be conducted then?

School Committee Member Donovan replied within reason. The Verizon arena or Veteran's Park.

Mayor Baines stated I would like to just briefly comment on that too and commend the School District for that stance because as you know for many years when I was principal at West we always had it at the park and the School Board would never ever pay one cent for the students at West High School to have it at the park. The students had to pay for the chairs and all of the expenses relating to having it at the park. What happened was they had to pay class dues to rent chairs for the park. I set the chairs up and my assistant principal set the chairs up for the students because the School District would not assist in any way because the students at West wanted to have their graduation downtown. I commend the Superintendent of the School District for changing that direction. That was so unfair for those kids to be put in that situation on the most important day of their high school career.

Alderman Wihby stated I just want to go back to Alderman Lopez's question about the lay-offs. Isn't it true that there is a mechanism that the State changed the law to allow for a mechanism so that you wouldn't have to send pink slips?

Superintendent Ludwell replied yes and no. The law does state that it is an either or. Either April 15 or 10 days after the time that a budget has been approved. However, we also have within the teacher's contract it does specify April 15 as the date of notification.

Alderman Smith stated I had the same question. So it is in the contract with the MEA and that is next Tuesday? You have to notify them prior to April 15?

Superintendent Ludwell responded prior to the 15th. The District needs some direction. I would say again that this budget is as tight as it possibly can be. We tried to make the numbers as clean for you as we could. We tried to provide as much information and accurate information when requested. I think this is a doable budget but it is a very lean budget. Very, very lean. I am asking for some direction from this Board.

Mayor Baines stated there is a reduction in personnel in this budget of approximately 20 people.

Superintendent Ludwell responded 25 people.

Mayor Baines stated again we are going to hear similar stories as the budget goes forward. We can't adopt their budget tonight but I think they are looking for some direction so that they don't have to send pink slips out next week. I would ask the Board what is your pleasure in that regard?

Alderman Guinta stated before we get to that I have one additional question. Dr. Ludwell, line 641, books and subscriptions for \$700,000, can you just clarify for me what you said about needing...I think you said somewhere between \$700,000 or \$750,000 or \$800,000 to replace...

Superintendent Ludwell interjected this is not part of the curriculum adoption. As we get into the curriculum cycle and we currently have various disciplines placed on a cycle that each year the curriculum will be revised and a new curriculum adopted and as that comes about that will necessitate a new textbook. We do have many, many dated textbooks. That textbook adoption, my guesstimate, will be between \$700,000 and \$800,000 again depending on the discipline. Some might be a little less and some might be a little more. In addition to that you also have all of the numerous additional books, whether they are replacement textbooks or lost or worn or you have an increase in student population – any of those things and we still might encounter textbooks once we receive the audit or have a complete...we still might have additional series that are out of date.

Alderman Guinta asked how often do you have a curriculum adoption. Is it annually? Is it every five years? You mentioned that every year we are going to anticipate...

Superintendent Ludwell interjected the Administration has just proposed that we have the entire K-12 discipline by discipline placed on a cycle and I believe it is a four year budget so that will mean that every year we will be looking at the curriculums. Some of them are very dated. The last, as I recall, curriculum was a five year cycle but it was three years past due. It was very, very old so that is something that the District hasn't done recently.

Alderman Guinta stated in a good situation and in a good learning environment at what age should we start replacing books. I mean how old should they get...at what point do we start replacing? I mean obviously 10 and 15 year old books are not appropriate.

Superintendent Ludwell responded it depends on the discipline but I would say seven years and never older than ten.

Alderman Guinta stated so at the outset it should be every 10 years you are replacing a set.

Superintendent Ludwell responded no later than 10 years.

Alderman Guinta stated and today at current dollars that is roughly \$750,000.

Superintendent Ludwell replied someplace in that area; yes.

Alderman Guinta stated your Honor I have a question for you. It sounds like we are in need of replacing...I mean you are going to do this curriculum adoption shortly. Why aren't we starting that this year and how come that is not in your proposed...

Mayor Baines interjected you have to understand that the Mayor can only determine bottom line. After the bottom line is established in the departments themselves you have to go back and adjust the bottom line item. It is up to the School Board as a whole to determine what that line item will be.

Alderman Guinta responded I understand that but we have an FY04 request from the School and we have the Mayor's budget line by line.

Mayor Baines stated no. Let me explain that once again.

Alderman Guinta asked what is this here that I am looking at.

Mayor Baines answered that is how they have broken down the bottom line. All I give is the bottom number. That is all I am authorized to establish. The same thing will be for every single department. They will come in with how they have broken that down line by line but I do not have the authority to give a line item appropriation. That authority is given exclusively to department heads. Neither do the Board of Mayor and Aldermen have that line item authority. It is given directly to department heads under the Charter. That is the answer to your question. The Board has the authority to adopt a line item budget once it is presented but they have the authority to manage their departments within their line items.

Alderman Guinta asked so we don't have the authority to say to them we need this number increased.

Mayor Baines answered no and I don't either as an individual. On the School Board I have one vote just as every other School Board member.

Alderman Guinta responded wait a minute. You just said you had one vote. So you could propose at the School Board an increase in that one particular line item?

Mayor Baines replied any Board member...this is the recommendation of the Finance Committee at this point if I am correct, Mr. Donovan, once it goes back to the Board what will happen is after the final appropriation is determined by the Board the Superintendent and the Finance Committee will sit down and adjust their line items and then come and present it to the full Board for adoption then that becomes the line item budget for the school year.

Alderman Guinta stated as a matter of procedure as a member of the School Board do you have the ability...

Mayor Baines interjected every member does.

Alderman Guinta asked so you do have the ability to sort of play with the line items.

Mayor Baines answered every single Board member does.

Alderman Guinta stated but a few minutes ago you said you don't have that authority.

Mayor Baines responded I don't have the authority as Mayor. I have a dual role here. As Mayor I cannot say to the Superintendent make sure you have \$1 million in this line item.

Alderman Guinta asked but as a member of the School Board you personally have the ability to increase a line item.

Mayor Baines stated can someone else try to explain this.

Superintendent Ludwell stated first of if we remember that we were charged with trying to develop a budget with no more than a 2.5% increase and we just were not able to do that. We are not thrilled at all about the idea of releasing 25 staff members, even support staff members, because they are important to the School District. Of the \$700,000, just to give you an example \$120,000 for elementary language arts and math consumables for the primary grades; elementary social studies for \$150,000; K-12 replacement \$25,000; middle school science \$150,000, which is a new adoption; high school textbooks for new enrollment of \$40,000; high school textbooks \$170,000; special education \$25,000 and then some miscellaneous for \$25,000. Every year we are going to run into that kind of cost and somehow we are going to have to struggle with the challenge of not only

having the ongoing replacement costs of consumables and outdated books but then also how do we get the new textbooks into the hands of the students.

Mayor Baines stated I had years as a principal where I might get \$10,000 or \$12,000 for my whole school.

Alderman Guinta stated I guess what I am trying to figure out is...I mean you are wearing two hats. As a Mayor you are trying to come up with a proposal that is no more than a 2.5% increase because of the budget constraints that we have at the BMA but when you are wearing the hat as the head of the School Board I am wondering how active is your role in determining...

Mayor Baines interjected during the budget process because of the responsibility that I have on the City side that authority generally on the School side has been with the Finance Committee who makes recommendations to the full Board. On our side the whole Board is the Finance Committee. Once their Board gets the final recommendation I would not participate in that because I have the authority under the Charter to set the bottom line.

Alderman O'Neil stated the reduction of 25 support staff those are people who are in existing positions there or what is your projected vacancy going into the next fiscal year.

Superintendent Ludwell responded it is a combination again of educational assistants and the support staff that help teachers throughout the school. It does not impact education assistants whose position is driven by IEP's. It also addresses some central office positions.

Alderman O'Neil asked but those are all positions that are occupied now. You do not...

Superintendent Ludwell interjected the vast majority of them are currently filled positions. There are, I believe, three or four that are not filled and will not be filled for next year.

Alderman O'Neil asked is there a possibility that others will become vacant so there may not be a reduction of 20 people then.

Superintendent Ludwell answered yes that is always a possibility.

Alderman O'Neil asked your Honor do you know what the percentage increase is in your recommended budget for the schools.

Mayor Baines answered it is 4.6%.

Alderman O'Neil stated we are currently in Finance. Would it be helpful to move a recommendation to the full Board for next week?

Mayor Baines responded we can't adopt the budget but you can make a recommendation to the full Board and the City Solicitor will acknowledge if that is possible. The Finance Committee could vote to make a recommendation to the full Board during their budget deliberations on a certain number?

Deputy Solicitor Arnold answered yes.

Alderman O'Neil moved to recommend the Mayor's budget for the School District to the full Board. Alderman Thibault duly seconded the motion.

Alderman Gatsas asked can you give me some explanation about the tuition amounts because I notice that in FY03 there was an 8.1% increase and this year it is only 5.7%.

School Committee Member Donovan asked are we talking tuition expense or tuition revenue.

Alderman Gatsas answered tuition revenue.

School Committee Member Donovan stated well our tuition revenue line item is driven by the budget you give us. To the extent that the money that goes to support our high schools does not go up very much, we can only increase our operating tuition by that much. We had last year a relatively larger increase in our budget that flowed into the high school line item. It flows into the tuition that we charge. We are projecting that we will have less of an increase this year, therefore we will be able to charge less. There is also the matter of some rebates that also gets calculated into this. Because we are running a budget surplus, that \$1 million, that means that to the extent that flows into the high school line item there is a calculation that is made and the sending towns may get a partial rebate. So we have calculated that into the formula for tuition next year.

Alderman Garrity stated I believe it should stay in Finance. I would like to at least hear from the Fire Department, Police Department and Highway before we send this on to the full Board. I mean in your budget we are going to leave a fire station empty for six months and we are not going to open up until January so I would like to hear from the Fire Chief and the Police Chief and the Highway Department before we move this on to the full Board.

Alderman Wihby stated I agree with Alderman Garrity. I would rather just wait and see what happens with the rest of the budget. I don't know what is the rush of pushing this so soon. We have never done it before.

Alderman Smith stated I think the situation is that we are going to be pink slipping some of these individuals and like I said we will lose the expertise of a math or science teacher so it is going to be a decision one way or the other that you have to meet.

Alderman DeVries stated just for clarification you are saying that this would involve only support staff so that would be the MEA contract.

Superintendent Ludwell replied the lay-offs would affect the MEA.

Alderman DeVries asked so the pink slipping would only be of the educational support and what is the timeline within that contract.

Superintendent Ludwell answered 30 days notice.

Alderman DeVries asked so we really don't have to be concerned if it is the Mayor's proposal that goes from Finance to the full Board we don't have to be concerned with any educational teachers receiving a pink slip because it is the educational assistants and other support staff, which only require a 30 day notice so we would have some flexibility there.

Superintendent Ludwell answered that is correct.

Alderman DeVries asked so whether it stays here or goes to the full Board there is still some flexibility for us.

Superintendent Ludwell answered yes.

Alderman DeVries asked and the pink slipping we have already decided with the Mayor's proposal wouldn't be necessary.

Superintendent Ludwell answered yes.

Mayor Baines stated just as a word of caution we will have other scenarios...I mean they are talking about a budget that is approximately \$1.1 million off from where it needs to be. You could hear similar reports as we know from Fire and Police and others to get through this difficult time just so we are all aware of that because that is what normally happens with the budget process. The other thing is the School District would have some flexibility here going forward if there were

adjustments because there is also the issue of attrition, which the School District has had to apply to adjust various scenarios that do apply so there is still some built-in flexibility regarding that. Am I correct?

Alderman Wihby asked can you just address that, your Honor. What are the attrition rates?

Mayor Baines answered it is about 34 teachers that are retiring. As I recall a good number of them are at the high school level and we already have over 300 classes over 30 students a class.

Alderman Wihby stated that is getting into the cost of that though that is part of the increase...the overall increase was 4.7% that you had with less teachers but there has to be 34 teachers times...there has to be \$500,000 or \$600,000 extra there too, right.

School Committee Member Donovan responded we have already calculated the savings from retirement into the budget.

Alderman Gatsas asked, your Honor, is the number that you are talking about \$127,075,075.

Mayor Baines answered that is the number that we have, the working number at this point.

Alderman Gatsas asked so the number of \$21 million under the benefit line, you have \$21.906 and the calculation I came back with was somewhere around \$21.382 million. That is about \$600,000. I am not looking to...

Mayor Baines interjected that is their calculation. Again, Alderman, the Mayor only does the bottom line. That's it. The calculations on the line items are done by the School District.

Alderman Gatsas stated then I would assume that until we can get the legal fees broken out so that we can see what those are because if there were only three court placements that we are talking about for the total amount of legal fees my concern is I would rather see dollars spent on students than on legal fees with all due respect to School Committee Member Donovan.

Superintendent Ludwell responded we subjected all of these obviously to kind of a trend analysis and I, too, would like to have every dollar spent as closely to the student as possible. However, in today's world we will have legal fees and it is a parent's right under 94-142 under the IDEA that they can request due process and

take it through the system. Of course as a District we have to respond to that. I don't think...I can tell the Board that we were cognizant of total legal fees, not breaking out students or otherwise and have tried to limit that as much as possible this year. However, occasions do come up when we need to rely on legal counsel. There is simply no way around that, Sir.

School Committee Member Donovan stated one of the policies that we passed this year was to limit who could talk to the lawyer. We found that individual School Board members were talking to our legal counsel and that had a tendency to increase the bills so only the School Board Vice Chairman is committed to speak directly with the lawyer without the permission of the Superintendent.

School Committee Member Stewart stated if I might add just on those professional services physical therapy and occupational therapy for students, direct student services is \$200,000 this year of that \$910,000. It is amazing how fast those direct student services can add up. I am looking at sheet here...we also have English as a Second Language interpreters that come in, Speech Therapy interpreters, Special Ed consultants just to name a few of the components of that. It does...those are all in that professional services line.

Alderman Gatsas asked but aren't those services recovered under special education.

School Committee Member Stewart answered no.

Superintendent Ludwell stated special education was supposed to be funded initially at the rate of 40%. Currently I believe it is about a 17% funding rate.

School Committee Member Donovan stated there may be some services that are covered by Federal government grants but they are not in here at all. This is what comes out of the general fund. This is what is paid for by the property taxpayers.

Alderman Gatsas stated my question is what is physical therapy. Give me a "for example."

Superintendent Ludwell responded an example would be that whether it is physical therapy or occupational therapy it is written in the student's IEP. We cannot provide that service in District simply because we don't have the staff or we don't have adequate staff to provide the service, therefore, we have to go out and locate a consultant, a physical therapist and an occupational therapist.

Mayor Baines stated a good place to go and see some of the challenges would be at the program at Easter Seals where they have some of the very severe situations. I know I have been there with Alderman Garrity.

Alderman Lopez stated I would hope that some of the questions that Alderman Gatsas asked that you would provide the necessary paperwork to all of the Aldermen so they can see the breakdown on any of the questions that are lingering with this particular item.

Alderman Lopez moved the question. Alderman DeVries duly seconded the motion.

Mayor Baines called for a vote. The motion carried with Aldermen Wihby and Gatsas being duly recorded in opposition.

Mayor Baines asked the Clerk to state the motion on the floor.

The Clerk stated the motion on the floor is to recommend the Mayor's budget for the School District to the full Board.

Mayor Baines called for a vote on the motion that the school budget resolution ought to pass and lay over at the Mayor's recommended funding level of \$127,075,275. The motion carried with Alderman Wihby being duly recorded in opposition.

This being no further business, on motion of Alderman Thibault, duly seconded by Alderman Smith, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee