

JOINT CITY COUNCIL - SCHOOL BOARD MEETING
THURSDAY, JANUARY 13, 2011
COMMUNITY ROOM, COMMUNITY CENTER
7 PM

SCHOOL BOARD MEMBERS PRESENT

Mrs. Grassie
Mrs. Parker
Mrs. Stevens
Mr. Brennan
Ms. McCarley
Mrs. Brown
Mrs. Logan
Dr. Pastelis
Mrs. Hubbard
Mrs. Gates
Mr. Gray
Mr. Watson

SCHOOL BOARD MEMBERS ABSENT

Mr. Allen

OTHERS PRESENT

Superintendent Hopkins
Linda Casey, School Finance Director
Attorney Jerome Grossman

CITY COUNCILORS PRESENT

Councilor Grassie
Councilor Hervey
Councilor LaBranche
Councilor Lachapelle
Councilor Lauterborn
Councilor Varney
Councilor Walker
Mayor Jean

CITY COUNCILORS ABSENT

Councilor Hamann
Councilor Keans
Councilor Larochele
Councilor Reed-Erickson
Councilor Torr

Interim City Manager Steele
Blaine Cox, City Finance Director

MINUTES

Mayor Jean opened the joint City Council – School Board meeting at 7:00 PM.

1] Roll Call

City Clerk Sheryl Eisenberg called the roll. All School Board members except Mr. Allen were present. Seven City Councilors were present. Councilors Hamann, Keans, Larochele, Reed-Erickson and Torr were absent.

Mayor Jean thanked the School Board Members and City Councilors for attending this evening's meeting. This is an opportunity for the two governing bodies to sit together and discuss the significant challenges the City will face in the coming budget cycle. He opined that increased cohesion between the two bodies would lead to better decisions. He listed several funding sources that would potentially experience reductions on the State and federal levels. He stated the Council is aware that its roll with regard to the School Department budget does not allow for line item control. However, he wished to have an open dialogue prior to the consideration of the School Department budget in June.

2] Update from School Department on Future Budget (FY 12)

Superintendent Hopkins gave a brief Powerpoint presentation regarding expected revenues and expenditures for the School Department for FY 12. He noted that Finance Director Casey had prepared the budget based upon projected revenues and the constraints of the tax cap. He reviewed the FY 11 budget and compared it with the projected FY 12 budget under the tax cap as follows:

Tax Cap Budget

	FY2011 Budget	FY2012 Budget	Difference
Expenditures	\$ 54,050,200	\$53,914,345	(\$135,855)
Revenues	\$ 32,576,200	\$32,090,319	(\$485,881)
To be Raised in Taxes	\$ 21,474,000	\$21,824,026	\$ 350,026
Tax Cap Increase New Construction	\$ 350,026		
FY 2012 Available Funds	\$ 21,824,026		

Superintendent Hopkins then compared the current FY 11 budget to the proposed FY 12 School budget as follows:

Current Budget Proposal			
	FY 2011 Budget	FY 2012 Budget	Difference
Expenditures	\$ 54,050,200	\$ 55,380,253	\$ 1,330,053
Revenues	\$ 32,576,200	\$ 32,090,319	(\$ 485,881)
To be Raised in Taxes	\$21,474,000	\$23,289,934	\$ 1,815,934
Tax Cap Increase	\$ 350,026		
FY 2012 Funds Available	\$21,824,026		
Reduce Budget By		\$ 1,465,908	

Superintendent Hopkins' third slide displayed the revenue projections over the past four years and the proposed revenue for FY 12. The last two columns show the FY 12 budget figured under two different funding scenarios through the State.

Revenue						
					FY 2012	FY 2012
					Proposed	Proposed
	FY 2008	FY 2009	FY 2010	FY 2011	Utilizing Same	Utilizing School
	Actuals	Actuals	Actuals	Budget	Funding	Funding Law
State Adequacy Aid	\$19,528,790	\$19,528,790	\$22,458,109	\$22,458,109	\$22,458,109	\$30,507,492
Building Aid	\$ 1,338,250	\$ 1,182,965	\$ 1,285,886	\$ 1,024,228	\$ 915,900	\$ 915,900
Castastrophic Aid	\$ 625,522	\$ 532,024	\$ 453,329	\$ 350,000	\$ 315,000	\$ 315,000
Medicaid	\$ 501,852	\$ 433,599	\$ 502,446	\$ 625,000	\$ 460,000	\$ 460,000

Ms. McCarley questioned if the School Department should assume the lower estimate for the State aide this year. Superintendent Hopkins confirmed that to be correct.

3] Update from City Council on Budget for FY 12

Mayor Jean advised there are two pieces of information that affect the budget that are currently unknown. The first is the Consumer Price Index – Urban (CPIU). This figure is due to be released in a few weeks. The tax cap is tied to this economic indicator. The second factor is the amount of anticipated total building construction that will happen in the City. It is currently estimated at \$17.5 million.

Mayor Jean mentioned health insurance will pose a large cost for the City in the upcoming year. The guaranteed Not-to-Exceed rate is 16.5%. This would be an increase of \$400,000 to the City. Additionally, the retirement costs are contingent upon the actions of the State legislature. The City is contractually obligated to an increase of approximately \$300,000 in salaries. He advised there would also be significant payouts in retirements.

Mayor Jean explained the City’s investment income has been favorable in the past, receiving better than 3% interest. Unfortunately, going forward, the City will be receiving less than .5%. This will result in less than \$50,000 in investment income. This is another significant loss.

Mayor Jean said it is important the City Council, like the School Board, meet with the City’s legislative delegation. The Council is scheduled to meet with the legislators on Tuesday, January 25, 2011 in the Strafford Room at the Frisbie Center. This is an open meeting.

4] Round Table Discussion

Mrs. Parker questioned what is the anticipated amount for the City retirements. Mayor Jean replied that he did not have that information at this time. He estimated it would be less than \$100,000.

Mrs. Gates mentioned she had attended a County meeting in July. Ideas regarding regionalization were discussed as a way to reduce costs. She suggested the City Council and the School Board collaborate in a similar manner to determine if there could be areas and methods to reduce both budgets.

Mayor Jean inquired how much funding would be lost through the ARRA funding system. Superintendent Hopkins answered that between Special Education Aid and Title 1 funding, there was a total of \$2.4 million provided over a two-year period. He said the Jobs for Teachers program would provide one more year of funding at about \$597,000. The School has tried to spread those amounts out over the two years. Some Title 1 positions would have to be cut. The School will also lose some Special Education positions.

Mayor Jean asked if the life safety inspections had raised any issues this year. Superintendent Hopkins said the Fire Department has completed its inspections. There was nothing as significant as the fire tower issue that arose last year. The Fire Department has provided the School Department with a list of issues. The most significant thing on the list is the emergency lighting at Spaulding High School. Resolution of this problem would be made out of the School's Operating Budget.

Interim City Manager Steele suggested the use of the Lean Process to discover ways to reduce costs. He gave a brief explanation of the function of the process.

Mr. Brennan commented there is a rumor that the tax cap has been ruled unconstitutional. What effect does this have on the budget? Mayor Jean stated the tax cap is now part of the Charter. It will be used for budgeting purposes. After the budget process has concluded, the Council can decide how it wishes to proceed. He noted the City's tax cap amendment provides for an override by the City Council. Other tax caps do not make that provision. Therefore, the Court's decision may not be relevant to the City.

Mrs. Stevens questioned how many positions were eliminated from the School Department last year. Mrs. Casey answered there were about twenty positions eliminated. Superintendent Hopkins said the School Department is still working to get the budget down to the tax cap level. However, two-thirds of the budget is personnel.

Councilor Varney mentioned the health insurance rates were capped at a 16% increase. Superintendent Hopkins advised the Schools' health insurance rates would be capped at 7.5%, totaling about a \$500,000 increase. Mrs. Casey stated the total cost for the School Department health insurance is \$7.7 million. Mr. Cox said the City's total health insurance cost is \$2.6 million. Councilor Varney summarized that is close to \$10 million for insurance. The City cannot continue with these increases. It has to get

concessions on the health insurance. He said the retirement issue could be handled at the State level. The health insurance has to be handled locally.

Mrs. Parker said there is a potential for \$30 million from the State. The School is expecting to receive only \$22 million. What is the most effective way to work with the State to establish an understanding of the importance of those funds? Mayor Jean stated the best approach is to work with the legislative delegation to make the legislators aware of the needs [in the City] and make them see how their legislative decisions impact the City.

Councilor Lauterborn questioned how solid is the \$32 million revenue estimate the Superintendent presented. Superintendent Hopkins said it is a conservative number.

Ms. McCarley commented that she had read an article in the *Union Leader* that said the State would be looking at making reductions in education funding. She stressed the importance of having one-on-one interactions with the legislators through committee hearings and meetings.

Mrs. Brown stated this is a dismal picture for the children. She added that she was going to request the City help the children from Gonic raise funds to build a playground at the school. They need to raise \$65,000. However, she sees now that there is no money available. She hopes the people of Rochester will help the children raise the funds.

Mrs. Gates said the City should be proactive. It needs to do something now. She would like to see a committee established to work proactively on the budgeting challenges. Mr. Watson advised the School Budget Committee would review the proposed budget thoroughly. It will look for savings.

Mayor Jean said that although the picture painted tonight is dismal, the boards have to work toward putting forward a budget that provides for strong, affordable education. If the School Board and the Council stay together through the process, the City will survive.

Mrs. Stevens requested Superintendent Hopkins explain the red bracelets that were distributed to Council. Superintendent Hopkins said this is part of a campaign at the schools to encourage kindness amongst students. He quoted “Open your minds, just be kind.” It is hoped that by the adults wearing the bracelets, it will encourage the children to work toward being awarded the bracelets for kind gestures to others.

5] Adjournment

Mrs. Brown **MOVED** to adjourn at 7:40 PM. Councilor Lachapelle seconded the motion. The **MOTION CARRIED** by unanimous voice vote.

Respectfully submitted,

City of Rochester
Draft

Joint City Council – School Board Special Meeting
January 13, 2011

Sheryl L. Eisenberg, CMC
Rochester City Clerk