

NEW BOSTON SCHOOL DISTRICT
New Boston, New Hampshire 03070
NEW BOSTON SCHOOL DISTRICT SCHOOL BOARD MEETING
Saturday, January 6, 2017 - 9:00 AM
New Boston Central School Library
15 Central School Road, New Boston, NH 03070

PRESENT

SCHOOL BOARD

Wendy Lambert
Bill Schmidt
Glen Dickey
Kary Jencks
Fred Hayes

ADMINISTRATORS

Brian Balke, Superintendent

Tori Underwood, Principal

OPENING

CALL TO ORDER

Wendy Lambert called the meeting to order at 9:05AM with the Pledge of Allegiance. She noted the purpose of this meeting is to move the default budget forward. The Interim Business Administrator prepared it and it was confirmed by NH DRA. The meeting would have taken place on Thursday or Friday but couldn't be scheduled due to inclement weather

PUBLIC COMMENT

Kaleb Jacob of Fraser Lane and Chairman of the New Boston Taxpayers' Association was present and noted that when news of the audit broke people came to him and asked what can be done. He has done his due diligence, he said the District has a problem here but he supports the District and Superintendent. He said the Association is waiting for a better explanation but expects the District is waiting for results of the second audit for more answers. Kaleb said he is available if the District wants to send any information to the Association, they are interested. He said Goffstown is also interested in forming its own Taxpayers' Association. This issue happened involving a lot of tax money and they want a better explanation, it was hard for property owners to hear about as taxes keep going up. He trusts the District professionals to find a solution.

Bob Evans of Beard Road asked if the surplus is part of the 2018/2019 budget.

Brian thanked Kaleb for his remarks. At the last Board meeting, Brian offered to speak at a Taxpayers' Association meeting to provide as much information and clarity as possible and that offer still stands. As for Bob's question, the only implication the \$1.1 million (the amount has not changed at this time) will have on the 2018/2019 budget is its effect on tax rate setting. As of June 30, 2018, the District has to return the money to the town as tax relief but the Board can decide to keep 2.5% to put in the District's Contingency Fund under RSA 189. Statutorily, the District can only use the Contingency Fund for two purposes, tax relief and emergency appropriations, and only with approval from NH DOE. Once the money is returned to the town, the tax rate could be considerably lower for one year or the town can put the money in its surplus account and release a small amount each year to keep the tax rate stable. The New Boston School District audit is approximately 30% complete. This is the typical annual audit. Brian contacted the auditor for a status of information needed for the Town Report and is waiting to hear back. As a second step, the Board is interested in a forensic audit to learn what happened over the years. This problem was discovered while Brian was the Superintendent but goes back at least ten years, during previous Superintendents' tenures errors were made in reporting to NH DOE and NH DRA and how funds were being returned. The Board has options, but the only existing legal mechanism to retain or

recommend to voters to retain any of the \$1.1 million is a Warrant Article requesting a deposit to the Building and Renovation CRF as requested in Article 4 of the 2018 Warrant but this deposit can also come from the 2018/2019 unreserved fund balance or return the entire unreserved fund balance for tax relief. A number of documents from Goffstown School Board meetings are posted on the SAU website. There were two documents pertaining to the Goffstown audit findings that provided the Goffstown School Board with a number of options for Board consideration. New Boston's option is expected to be to return the money to the town for tax relief with a one-year effect on the tax rate. This is the Board's decision to make.

Wendy noted this will be discussed at the January 10 Board meeting.

Glen noted the company doing the audit is the existing auditor who did not protect the District and should have known. He asked if they should be trusted. He will wait for this audit to be complete and then consider next steps. The audit is always public and published in the Town Report every year. This is a bad time of year to have this happen and Business Administrator leave employment; this is a specialized position that is very hard to fill.

Fred noted the auditor did not miss this problem over the years; the reserve was noted in the audit every year but not appropriately called to the Board's attention over the years. They did not audit the state reports because there is no state requirement to do that.

Bob asked if the January 10 Board meeting would be a better time to discuss this and asked why this emergency meeting was called.

Wendy noted the January 10 meeting is a regularly scheduled Board meeting and today's meeting was called to move forward the default budget as the amount was unknown at the December 20 Board meeting. This meeting was scheduled on a weekend due to weather conditions during the week.

Brian noted the District is behind on completing the default budget calculation this year as the Business Administrator was on administrative leave and then resigned. A highly skilled Interim Business Administrator from Municipal Resources, Inc. (a company that helps municipalities with personnel shortages) is working at the SAU one day per week and spent most of her time working on the default calculation. The District is doing the best it can with these circumstances. An ad for the open Business Administrator position is posted and two applications have come in. This is a challenging position to fill. The SAU Board will hire for this position.

Keith Ammon of Byam Road said he has been concerned over the years that the default budget does not give voters a choice, as the difference between the default and proposed operating budgets is small. He asked if the default calculation is a separate calculation from the calculation of the proposed operating budget.

Brian said the difference between the default and proposed operating budgets is small, approximately \$42,000, because the District budgets very conservatively. The state released 2016/2017 per pupil costs on December 7. State elementary average for per pupil expenses was \$15,397.60. NBCS per pupil expense for 2016/2017 was \$11,919.21 per pupil, the 7th lowest in the state out of 156 elementary schools. Despite the low spending, NBCS students are above the state average in all areas of NECAP/SBAC testing except for one-third grade cohort that was below state average in math. State middle school average for per pupil expenses was \$14,740.66. MVMS per pupil expense was \$12,134.35 per pupil, the 5th lowest in the state out of 63 middle schools. State high school average for per pupil expenses was \$15,537.80. GHS per pupil expense was \$12,923.70 per pupil, the 7th lowest in the state out of 73 high schools. These averages do not include any bonds or transportation costs the school districts may have. Despite the low spending, great programs are offered and student achievement is high. School aged children make up 20% of New Boston's population compared to 13% in Goffstown. Most new houses built in New Boston become occupied with families with children. New Boston pays tuition at a set rate to Goffstown for all New Boston students enrolled in the Goffstown School District after sixth grade, and Goffstown is also a fiscally conservative District.

At NBCS, the only additional requests in 2018 are for a half time budget funded math interventionist, fingerprinting reimbursement, outdated sink and outlet updates in five classrooms and replacement library

furniture, everything else in the operating budget is due to the Goffstown and SAU contracts. The default budget is calculated according to SB2 and RSA 40. Brian, the Interim Business Administrator and Human Resources Director Kate Magrath were involved in this calculation for the first time this year by reviewing the budget line by line, inputting the information into the required formula and used a worksheet from NH DRA to finalize the calculation. Brian is not sure if the worksheet was used in the past. He noted in the past Finance Committee member Brandy Mitroff questioned the Business Administrator about his method of calculating the default budget and including the CRF deposit. This has been corrected with NH DRA support after the DRA sent a written recommendation of the proper way to calculate the CRF deposit saying the deposit should never be on subsequent year's books or part of the default budget.

Brian noted there are approximately 600 employees SAUwide including specialized employees running certain areas. They are relied on to do their job correctly. This year Brian had a concern during the annual audit, checked on it and learned something was incorrectly done.

Bob asked if the District could get a refund for the demographic study, as it doesn't seem accurate.

Brian noted the Board took a leadership role in prior years to research population projections with a demographic study and then held an All Town Boards meeting where the District put forward recommendations for economic development. New Boston is an anomaly in NH and its schools will continue to grow.

SCHOOL BOARD MOTION NEEDED FOR MOVING THE PROPOSED BUDGET FORWARD TO THE JANUARY 10TH BUDGET HEARING

Tori and SAU Administrative Assistant Denise Morin prepared the updated Warrant Articles. Article 2 for the operating budget has not changed except for adding the default budget.

Brian noted that as an SB2 town, RSA 40 requires default budget creation. This took extra time this year as the Interim Business Administrator only works one day per week. The Interim Business Administrator is very experienced and used the NH DRA default calculation materials to determine the default budget is \$42,000 less than the proposed operating budget. The proposed operating budget contains increases for a half time budget funded math interventionist, fingerprinting reimbursement, outdated sink and outlet updates in five classrooms and replacement library furniture at NBCS, everything else in the operating budget is due to the Goffstown and SAU contracts. The New Boston portion of the operating budget is lower than the Goffstown portion due to the number of students. The proposed operating budget and default budget were determined after the Board and Administrators reviewed the budget line by line, took out one-time expenditures and reviewed each line for contract restrictions as required. The default budget has been higher than the proposed operating budget in some years; this is part of being an SB2 town.

Glen noted the budget seems reasonable.

The Board reviewed the revised draft of the proposed Warrant Articles. All articles were read aloud as follows:

Article 1: To choose one member of the School Board for the ensuing three years. No vote necessary. Bill's term is up and he plans to file for candidacy.

Article 2: Shall the School District raise and appropriate as an Operating Budget, not including appropriations by special warrant articles and other appropriations voted separately, the amounts set forth on the budget posted with the warrant or as amended by vote of the first session, for the purposes set forth therein, totaling FIFTEEN MILLION EIGHT HUNDRED SIXTY-EIGHT THOUSAND FOUR HUNDRED TWENTY-NINE DOLLARS (\$15,868,429.00) Should this article be defeated, the default budget shall be FIFTEEN MILLION EIGHT HUNDRED TWENTY-FIVE THOUSAND SIX HUNDRED TWENTY-EIGHT DOLLARS (\$15,825,628.00), which is the same as last year, with certain adjustments required by previous action of the School District or by law; or the governing body may hold one special meeting, in accordance with RSA 40:13, X and XVI, to take up the issue of a revised operating budget only." This warrant article (the Operating Budget Article) does not include

appropriations in ANY other warrant articles. (Majority vote required). *Fred Hayes moved Article 2 to the Public Hearing January 10, 2018 as written. Glen Dickey seconded the motion. The motion carried (5- 0)* Article 3: Shall the School District vote to approve the cost items included in the 3-year Collective Bargaining Agreement reached between the New Boston School Board and the New Boston Support Staff Association which calls for the following increases in salaries and benefits at the current staffing level: Year 2018 – 2019 Estimated Increase \$35,367.00, Year 2019 – 2020 Estimated Increase \$20,439.00, Year 2020 – 2021 Estimated Increase \$19,302.00 And further to raise and appropriate the sum of THIRTY-FIVE THOUSAND THREE HUNDRED SIXTY-SEVEN DOLLARS (\$35,367.00) for the 2018-2019 fiscal year, such sum representing the additional costs attributable to the increase in salaries and benefits required by the new agreement over those that would be paid at current staffing levels and to take TWO THOUSAND TWO HUNDRED FIFTEEN DOLLARS (\$2,215.00) from the Food Service Revenue accounts with the remaining THIRTY-THREE THOUSAND ONE HUNDRED FIFTY-TWO DOLLARS (\$33,152.00) to come from taxation. This appropriation is in addition to Warrant Article #2, the Operating Budget Article. (Majority vote required). *Glen Dickey moved Article 3 to the Public hearing January 10, 2018 as written. Fred Hayes seconded the motion. The motion carried (5- 0)*

Article 4: To see if the School District will vote to raise and appropriate up to ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) for deposit into the existing New Boston Central School Facilities Renovation and Repair Fund and to authorize the use of that amount from the June 30, 2018 Unreserved Fund balance (surplus) available for transfer on July 1, 2018. This appropriation is in addition to Warrant Article #2, the Operating Budget Article. (Majority vote required.) *Fred Hayes moved Article 4 to the Public Hearing January 10, 2018 as written. Glen Dickey seconded the motion. The motion carried (5- 0)*

Wendy will e-mail the Warrant to the Finance Committee this weekend and check to see if they need anything else before their meeting January 11. Glen noted the Finance Committee feels it should have been told of the Business Administrator's resignation at its December 14 meeting as the resignation occurred December 13. Brian noted he could not speak about this at that time, as it was a non-public personnel matter. The information was released in a detailed Press Release as soon as possible on December 15. The Board welcomes any questions the Finance Committee may have about the timing of this information. This item is unrelated to the proposed operating budget, which is good and solid.

Brian noted the unreserved fund balance is not entirely from tax collection, it comes from underspent taxes and overcollection of revenues, including revenue from state adequacy aid. Adequacy aid is collected through local property taxes that go to the state to be redistributed. It was determined through lawsuits that \$3,500 per student is all that is needed for an adequate education in NH.

Bill left the meeting at 9:45 AM.

OTHER BUSINESS THAT MAY LEGALLY COME BEFORE THE MEETING

None.

PUBLIC COMMENT

Kaleb Jacob of Fraser Lane asked why it couldn't be made public on a Thursday if someone resigns on Wednesday as discussed above. It was said at the Finance Committee that the Business Administrator was on leave.

Brian noted that he said at the December 14 Finance Committee meeting that the Business Administrator "had been" on leave. It was noted that someone on the Finance Committee thought he heard Brian say the Business Administrator was on medical leave but Brian never would have said "medical leave" due to HIPAA restrictions. If Brian was asked at the meeting, "Is the Business Administrator on leave?" he would have said, "No, he has resigned." He and the Board agreed this could have been handled better but was probably impossible to do 100% perfectly, he was unsure if the Goffstown School Board would have allowed that as he was directed at the SAU Board meeting December 13 not to release the information until the Press Release went out. He worked hard to get the Press Release out in a timely manner while at the same time being without a Business Administrator and handling day-to-day matters SAUwide.

Bob Evans of Beard Road asked if the Business Administrator was on leave because of the audit findings and how long he had been on leave. Brian said the Business Administrator was on paid administrative leave for a couple weeks because of the audit findings.

Bob asked if there would be a report of what happened after the audit is complete. Brian said he is not sure as this is a personnel matter and he is unsure what can be shared.

Bob noted having more money than thought is a good problem to have instead of the other way around. Brian noted that is what is happening in Pembroke where revenues were overestimated and is now short \$1 million. New Boston underestimated revenues, underspent the general fund, and saved a surplus on the books that should have been returned to the town for tax relief. The money will be returned and used to offset taxes. The Board approved the Warrant and did not add any articles to use the money. The only other thing that the money could be used for is a deposit to the 2.5% Contingency Fund that statutorily can only be used for two purposes, tax relief and emergency appropriations, and only with NH DOE approval. This is unlike the Building and Renovation CRF that the Board can decide to use for NBCS facility needs.

Fred noted the District is capped each year on the amount it can deposit into the 2.5% Contingency Fund, at 2.5% of the total Operating Budget for that year. The town has an uncapped surplus account kept at the NH DRA that can be used according to Selectmen decision, state approval not required. DRA recommends a balance of 9-11% of the total operating budget but there is no legal cap.

Keith Ammon of Byam Road noted he is uncertain of the accuracy of the calculations as the methodology of the person who prepared the numbers is now suspect. Wendy noted that is true but many others, including the Board, have reviewed the budget line by line. Keith recommended someone with an accounting background review the budget. He considered if there is more money to be found or missing, a forensic audit is pending and this will not be known until that process is complete. Brian said the money on the books as of June 30, 2017 is known but what is not known is how long the money was kept on the books and that is the forensic audit piece. This was all discovered after Goffstown made an error in projecting the tax rate in November 2017. This was a surprise and Brian asked the auditor to review all submissions to the NH DOE and NH DRA that are not part of usual School District annual audits. Brian has prepared a chronology of events.

Keith noted the public needs confidence. He suggested the SAU Board review the non-public minutes for any public information they may contain. He also asked if Dunbarton would become part of this or delay it, as they were part of the SAU when the problem began. He said the taxpayers need to be paid back although properties have been bought and sold during this time.

Wendy would like to see an itemization outlining funds owed for NBSD and NBSD tuition paid to Goffstown.

Bob said this could be difficult to determine who is owed back taxes due to property transfers during this time. Glen noted that when a property owner sells their house they relinquish all rights to back taxes by law.

Brad Bingham of Byam Road asked if that means the new owner gets the money. The Board clarified that the money would be returned to the town and the new owner would get a tax break of a lower tax rate for one year.

Bob asked what the maximum that could be deposited to the 2.5% contingency fund is. Brian said approximately \$300,000 is the maximum that can be deposited into the 2.5% Contingency Fund from the unreserved fund balance for the 2017/2018 school year, separate from the \$1.1 million. The District can decide to make no deposit to the 2.5% Contingency Fund this year. The first deposit to the fund occurred last year in the amount of \$100,000.

Susan Hanson of Hutchinson Lane asked if a deposit to the 2.5% Contingency Fund could be made even if the unreserved fund balance is less than \$300,000. The Board said yes but they do not plan to do that.

Bob asked if the \$1.1 million is returned for tax relief, is there a mechanism that the lower tax rate could be spread out over several years. The Board said the District cannot do that but the Selectmen can. The District has to return the money to the town; it cannot retain the money and never should have. The Selectmen cannot use the money to build a new fire station or anything else, but can consider putting the money into the town surplus account and releasing a certain amount each year to keep the tax rate stable. The Goffstown Selectmen are considering doing this over several tax cycles.

Fred noted he served on the School Board prior to 2005 and has been involved with the Finance and CIP Committees. He has noticed that the District routinely returned approximately \$600,000 to the town each year and \$1.1 million is not much more than that. This is not much different for New Boston but is significantly more in Goffstown with more of an effect on their tax rate. This never should have happened, the Board and Administrators are upset about it as are the taxpayers, most of them do not have accounting backgrounds so would not have notice this, Fred does have an accounting background and could have noticed it but all trusted the Business Administrator. He has reviewed the 2016 audit and found the area where the \$1.1 million is noted.

Brian noted both the New Boston and Goffstown School Districts always received clean audit reports.

Keith asked what is expected for the 2017/2018 unreserved fund balance. Brian said the amount is unknown at this time but an unreserved fund balance is expected.

Wendy noted the proposed operating budget is a projection of the 2018/2019 school year and said Tori does an amazing job keeping the budget down.

Glen noted he has been watching the District budget over the years and noticed the unreserved fund balance decreasing. Kary noted the years when the unreserved fund balance was higher were the years Goffstown voted down its teacher contracts and budgets, Goffstown voters approved the recent teacher contract and that is causing the unreserved fund balance to decrease.

Bill returned to the meeting at 10:10 AM.

Brad asked if the District was planning a Warrant Article for an expansion at NBCS this year. Wendy noted the Board discussed this with the CIP Committee and it was delayed. The District continues to evaluate and manage use of space at NBCS but this issue is not going away. The delay has nothing to do with the Fire Department's request for a bond. Brian noted the state used to provide building aid and this contributed to funding for all NBCS additions in the past. Now building aid is not available and that is contributing to the Board's decision to delay a bond request for an addition at NBCS.

Kary noted she is a member of the NBCS Space Needs Committee as is Susan Hanson, who is also present at the meeting. The Committee began three years ago and has been meeting periodically to compare NBCS enrollment and space with that of other towns. With this information, the District decided to purchase and install a portable to help staff use NBCS space more efficiently and provide a safe space for students. The District also has the potential to use the White Buildings for NBCS space but prefers to keep students near the main building for several reasons including safety and displacement of other town programs. NBCS enrollment is approaching 600 students. If an addition were built and enrollment decreased, the space provided by an addition would still be used efficiently. An addition would only be built if all space were exhausted.

Bob asked if citizens have commented on the portables. Kary said citizens do comment on the portables sometimes and the Board has to explain why they were installed instead of using the White Buildings or building an addition. There is a possibility more portables could be needed at NBCS before an addition can be built.

Bob asked if the portables were meant as a temporary solution. Kary said they were purchased as used portables in good condition and expected to last ten years. Glen noted the portables were obtained at a reasonable price but the installation cost more than expected, the Board learned from that experience.

Bob asked if the town is still paying any bonds for the school. Fred said there were bonds in the past but they are now expired.

Keith is a state Representative and noted HB193 has support and will probably pass. The Governor is expected to sign it. If this passes, parents will be able to set up a special savings account for their child that would contain the state adequacy money per child and use it to pay for private schools of their choice including religious schools. He said 1-2% of parents are expected to use this account and it might contribute to a minimal enrollment decrease. Brian said he does not support anything that takes money away from public schools that are already underfunded and this will take adequacy money from schools with a minimal effect on enrollment.

The Board thanked the public for all of their feedback and attendance at the meeting and welcomes anyone at the Board meetings and encourages the community to come with questions.

NON-PUBLIC SESSION RSA 91-A: 311

None.

ADJOURNMENT

Glen Dickey moved to adjourn the public meeting at 10:26am. Bill Schmidt seconded the motion. The motion carried (5-0). Meeting Adjourned.

All back-up material to this meeting is held in the Principal's Office.

Respectfully submitted,
Maralyn Segien