Committee Chair Tom Croteau called the meeting to order at 5:37 p.m., noting that the agenda would be a review of and recommendations for the FY16-17 budget. Business Administrator Jack Dunn reviewed the agenda, noted below:

Budget finalization history meetings

Review FY16 budget

- Budget – vs actual (handout and highlights)
- Trust Fund Deposits / Withdrawals
- Unreserved Fund Balance

Review FY17 budget and recommendations

- Overview of budget (approved March 29, 2016)
- Proposed changes (use of unreserved balance funds)
- Proposed motion (if required)

FY18 Considerations

- List of items impacting FY18

Capital Project Bond

- Bond process
- Answers to questions

Upcoming important meeting

Mr. Dunn reviewed the historical dates of these meetings and dates of subsequent finalization meetings. Committee members received a copy of the FY16 budget summary, with Mr. Dunn emphasizing that overage in the supply line was due to the Concord Steam issue. He explained that the District entered into a contract for Concord High School from October 2014 until 2027, but it was not approved by the Public Utilities Commission (PUC). The District was responsible for the difference between the contract rate and tariff rate. The total amount accrued was around
Mr. Dunn displayed a summary of revenues and expenditures for 2016, which resulted in additional funds of $495,975, above the $1.9 million needed for the FY17 budget. He explained that without Board action, this additional amount, made up of one-time payment holidays for healthcare ($363,000) and workers’ compensation insurance ($209,000), would be returned to taxpayers and lower the amount of money that needs to be raised in taxes. Nathan Fennessy asked why there was such a discrepancy between what was budgeted for tuition vs. what was spent; Mr. Dunn clarified that the number of Deerfield students enrolled and tuition revenue from Project SEARCH and Community Ed were lower.

Mr. Dunn reviewed the FY17 budget as approved on March 30th, noting that the general fund operating budget currently stands at $77,438,862 million with an overall budget, including all funds, of $83,560,291. He displayed the list of expendable trust funds and anticipated deposits and withdrawals to these funds, which include: School Building Maintenance, Instructional, Health Risk, Energy, Facilities Renovation, Special Education, and Tech Integration. Mr. Dunn displayed the projected cost of steam by school (ADS, CMS, RMS, and CHS) for the upcoming heating season, comparing usage from the FY15 and FY16 heating seasons. He pointed out that this cost will depend heavily on the climate this winter: a colder winter will lead to higher usage and lower rates, and a warmer winter will lead to lower usage and higher rates, as steam rates this winter could be variable. Jim Richards asked why a fairly low amount was budgeted based on 2015 usage. Mr. Dunn pointed out that rates are going up 23%, and usage was down significantly in 2016, so the projection should be in line assuming a “normal” winter. Mr. Dunn said that the FY17 budget currently needs $1.9 million from the prior fiscal year to meet its obligations. Any amount above $1.9 million without action by at least 2/3 of Board members (7 votes) will result in a decrease in the funds that will need to be raised in taxes.

Mr. Dunn reviewed three proposals to revise appropriations for 2016-2017, further explaining the tax impact of each option. Option #1 would use the unreserved fund balance to pay the steam bill, with no additional tax impact. Option #2 would increase taxes to pay for additional steam and put the unreserved fund balance into a stabilization fund for a future bond. Option #3 would be a possible alternate option, to be put forth by the Board.

Mr. Dunn reviewed several considerations for the FY17 budget: utilities (steam heat costs in the winter), snow removal, healthcare enrollments, and out-of-district special education costs.

Mr. Fennessy asked for clarification whether the Committee was expected to use this information in order to make a recommendation at the meeting on October 26, and Mr. Dunn explained that they would. Mr. Fennessy noted that his preference at this point would be to apply the $495,000 to help defray the possible additional steam costs. Mr. Richards asked for clarification on the capital projects, and Mr. Dunn explained that the Board is preparing to bond for the steam conversion project.
Board also has to consider what it wants to do after completion of the study, as well as capital projects within the 10-year plan for the older schools. Mr. Richards pointed out that whether or not the tax rate is definitely impacted this year, it will be affected in the near future and the Board needs to be particularly thoughtful about actions taken. Mr. Fennessy pointed out that this would, hopefully, be a one-time event and said that he would not want to artificially inflate the tax rate in anticipation of future expenditures. Mr. Richards noted that he would prefer a small tax rate raise now to provide some flexibility next year to use the moneys then, as opposed to using the money on a one-time payment for steam. He placed particular emphasis on possible future early education programs. Board President Clint Cogswell pointed out that paying for heat is an unavoidable issue that will need to be paid this year, and noted that public input will have a huge impact on possible future early education programs and its associated budgeting.

Mr. Croteau asked Mr. Dunn for an explanation of a comment underneath Option #2 on slide 17. Mr. Dunn explained that the additional unreserved fund balance could be put into the stabilization fund and used in future years when the debt exceeds 5% of the budget.

Mr. Dunn reviewed considerations for the FY18 budget, emphasizing the increase in the NHRS rate, early childhood education program development, technology improvements, bus replacements, childcare facility renovation/replacement, and the steam to natural gas conversion.

Mr. Dunn then reviewed the bonding schedule/timeline, noting that the Board can reallocate bond proceeds from one project to another as long as the life expectancy is the same or greater. He reviewed upcoming meetings: today’s Finance Committee meeting, a Special Board meeting on October 26, a Special Board meeting/Public Hearing on November 7, and a Special Board meeting with a vote on November 22.

Mr. Dunn explained the upcoming meeting next week (October 26), emphasizing that seven votes in the affirmative are required in order to make a change to the budget, based on the options presented earlier. No action would result in the additional $495,975 being used to offset the amount needed to be raised in taxes. He also noted that the final tax rate will not be known until the valuation is received, sometime this week.

Mr. Cogswell asked if Mr. Dunn had a preferred recommendation for the Committee. Mr. Richards and Mr. Fennessy pointed out that taking no action is not preferable, that the Committee should consider one of the first two options, and asked Mr. Dunn which he thought was best. Mr. Dunn reviewed option #1 and noted that some savings may be realized depending on winter usage; option #2 allows a greater increase in savings by raising the tax rate, and eases transition from FY17 and FY18, depending on how the valuation comes in. He noted that there are pros and cons with either choice.
Mr. Croteau noted that he felt that option #2 would provide a bit more flexibility about potential savings are used. Mr. Fennessy was hesitant to raise the tax rate pre-emptively. Mr. Richards noted that this would depend heavily on the valuation, and worried that heavier cuts might be required with option #1, particularly with early childhood education. He explained that he would not want to raise taxes slightly this year only to have a much higher spike next year. He also expressed concern with possible cuts to future early childhood education and current preschool programs. Mr. Croteau pointed out that public opinion seems to be strongly in favor of early childhood education programs, regardless of tax rate impacts.

Mr. Croteau asked if the Committee is bound to the recommendation decided upon at this meeting; Mr. Dunn clarified that it would be simply a recommendation. Mr. Cogswell added that committees are meant to vet deep issues such as this, so the recommendation made here would carry weight. Mr. Fennessy pointed out that any recommendation made is intrinsically incomplete as the valuation number is unknown, and that that information could fundamentally change many Board members’ minds.

Mr. Richards asked for an option that splits the difference and raises the tax rate minimally while also adding some monies to the Trust Fund. Mr. Cogswell noted that this vote would need 7 votes in the affirmative to take either option, otherwise the budget will stay as-is, which the Committee has generally noted was not ideal. Mr. Richards agreed with Mr. Fennessy’s earlier comment that the District will likely spend at least $200,000 to heat the schools this winter, and that the Board needs to be thoughtful about spending it cannot accurately foresee. Mr. Croteau asked for clarification on how the Committee would make its recommendation to the full Board; using dollar amounts or percentages. Mr. Fennessy clarified that the Committee should emphasize the tax rate change and explain the dollar amount going back into the unreserved fund balance. Mr. Richards summarized that the Board would not want unforeseen events to occur where the Board would need to spike the tax rates or cut programs. Mr. Croteau noted that the Committee would not want the full Board to have to rehash everything discussed at this meeting, and that the Committee should meet before the meeting on October 26, to arrive at a more concrete recommendation.

The Committee voted 4-0 to adjourn (motioned by Mr. Croteau, seconded by Mr. Fennessy).

The Committee adjourned at 7:00 p.m.

Respectfully submitted,

Tom Croteau, Committee Chair
Jack Dunn, Recorder