

**Hanover Finance Committee**  
*Minutes*  
**September 26, 2016**  
**Location:** Black Center, Room 215

Present: Heidi Postupack, Chair; Carey Callaghan, Hanover School Board (5:00-5:35); Kari Asmus; Nancy Marion; Daryl Press; and John Ruth. Absent: Bill Geraghty, Hanover Select Board. Minutes by Asmus.

A quorum of the committee convened at 5:04 p.m.

*1. Retention of Dresden Unassigned General Funds*

Carey asked for feedback on a proposal to retain \$150,000 of the FY16 year-end Dresden fund balance.

*Background:*

District Meeting approved an article (under RSA 198:4b II) which allows the School Board to retain funds left at year-end, in an amount up to 2.5% of the District's net assessment—which for Dresden is close to \$20M. If the funds are not retained, they will be used to offset taxes. Because of restrictions in the Interstate Compact, Dresden is not allowed to have other types of reserve funds. This is the first year that the Board has considered retaining these funds.

*Discussion:*

The funds could be used for emergency or other necessary, but unexpected expenses. The use of the funds would need to be approved by the Department of Education. One area of particular concern for the Board is that the buildings are no longer “new,” and that significant unbudgeted issues could develop. The funds could also be used to offset taxes.

From the Board's perspective it also makes sense to retain the funds now as tuition revenues were higher than expected and as it is not assured that those revenues will continue at the same level.

If the \$150,000 were not retained, approximately 2/3<sup>ds</sup> of it would be returned to Hanover and 1/3<sup>rd</sup> to Norwich, resulting in a 5 cent per \$1,000 decrease in the school tax rate for Hanover.

Based on the most recent numbers available to the Finance Committee, there were not enough funds left on June 30<sup>th</sup> to allow for \$150,000 to be retained AND for \$350,000 to be returned to the tax payers as represented last March at District Meeting. If \$350,000 is not available, then the tax rate will be higher than expected.

The committee expressed support for the retention of funds as long as it did not negatively impact the tax rate projected in March and as long as mechanisms are in place to ensure that the funds are not used in a manner different than described above.

*2. Preparation for Dresden Board Discussion on Proposed FY18 Budget Guidelines*

The Chair customarily offers the committee's thoughts to the Dresden Board before adoption of budget guidelines, particularly as they pertain to the proposed percent increase “corridor.”

*Background:*

The committee was provided with an initial Dresden “Quick Model” in August showing a “status quo” budget increase of 1.9%. The committee was later advised by SAU administration that projected NH

Retirement System contribution increases were revised to \$74,000 (up from the initial projection of \$60,000) and that the latest CPI number indicated a rate of 1.1% (up from .8% the previous month). These two changes brought the increase in the “status quo” budget to 2.02%

*Discussion:*

The committee considered a number of factors that would influence what would constitute a reasonable increase or decrease in the budget, with the point being made that revenues, which could lessen the tax impact of increases, were not being considered.

Looking at budgeted, actual, and projected enrollments, it appears that staffing in FY18 will not need to be increased or decreased significantly based on the overall number of students. Some increase in special education staffing is already built into the Quick Model. Special education costs for HHS tuition students are billed back to the sending district, and extra-ordinary special education costs for students from Hanover and Norwich are billed back to the home district.

The FY17 Dresden budget includes funds for two “one-time” building expenses--\$48,500 at the high school (for air conditioning) and \$24,000 at the middle school (for HVAC system controls, not lighting as said at the meeting).

\$56,000 is available for non-routine building maintenance expenses in a reserve account which was improperly funded 10 plus years ago (per the Dresden annual report).

Based on the most recent information available to the Finance Committee, Dresden had a favorable FY16 expenditure balance of approximately \$145,000 with an additional \$48,500 approved before year-end to fund half the cost of the air conditioning installation at the high school. While cautious not to jump to conclusions based on one year, one member thought this might indicate a possibility for the district to reallocate funding from some accounts to provide resources for new initiatives.

The district typically has a \$50,000 contingency article which provides some cushion in case of unexpected expenses. Against a \$20M plus budget, however, it is a rather small amount.

General concerns about the state of the local economy were also raised, including the recent announcement of layoffs at DHMC and work by the committee showing that the median family income in Hanover had dropped in real terms over the past 15 years. It was also noted that because the school budgets constitute such a large portion of our public spending, that even a small increase can have a noticeable impact.

Among the committee members present, a budget corridor of 1.75 – 2.25% seemed a reasonable recommendation.

The meeting adjourned at 5:54 p.m.