

**INFORMAL MEETING OF MAY 2, 2018**

Informal Meeting of the City Council was held in the City Council Chamber, Room 219, City Hall, on Monday evening, May 2, 2018.

CALL TO ORDER

In the absence of Council President Scott Graves, City Clerk Alan Agnelli called the meeting to order at 6:00 o'clock p.m.

ELECTION OF CHAIRMAN OF COMMITTEE OF THE WHOLE

Councillor James Boone moved to elect Councillor Ronald Cormier to the position of Chairman of the Committee of the Whole for the duration of the Informal Meeting. Councillor Elizabeth Kazinskas seconded the motion.

There being no further nominations, Councillor Ronald Cormier was elected by acclamation.

ATTENDANCE

Nine (9) Councillors were present including Councillors Nathan Boudreau, James Boone, Craig Cormier, Ronald Cormier, Edward Gravel, Karen Hardern, Christine Johnson, James Johnson, and Elizabeth Kazinskas. President Scott Graves and Councillor James Walsh were absent.

Others participating were Mayor Mark Hawke, Superintendent of Schools Mark Pellegrino, and School Business Administrator Robert Detweiler.

Chairman Ronald Cormier announced that the purpose for the Informal meeting is to determine the reasons for the School Department budget shortfall; whether to address the shortfall through a Proposition 2½ Override ballot question; or, whether there are alternative available sources of revenues. He said, "We all want to have adequately-funded schools and to return the school system to a superior status. We lose kids to other districts through school choice due to perception, that the grass is always greener on the other side." He attributed the perception on social media.

Mayor Hawke stated that he and others "are here to answer the questions that no one has asked." He cited the prior year budget – School Transportation - \$915,750 above Net School Spending ("NSS") plus bus monitors plus McKinney Vento transportation – all are not counted toward NSS. He added that the School Department is responsible for all school buses but that the City provides the funds.

Councillor Christine Johnson stated that she does not remember that transportation costs "were treated this way when she was on the School Committee," adding that "it was never

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included in the School Department Budget,” and “it [transportation] was added in and then backed out.”

Mayor Hawke stated that since he has been Mayor, the City Auditors have treated transportation in the same way.

Councillor Christine Johnson said that she wants more evidence.

The Mayor asked, “Why? What do you want us to find?”

Councillor Christine Johnson again questioned when transportation was ever calculated in the School Department Budget.

Superintendent Pellegrino stated that transportation impacts “the bottom line” but has no effect on Net School Spending. He said that the Department’s records back to 1998 indicate that the payments are made by the School Department but that it is reimbursed by the City.

Councillor James Boone said that he recalled that Transportation expense was listed as a budget line item, adding that he “never really understood how it came back to the Schools.”

Superintendent Pellegrino responded, saying that transportation is reimbursed by the City.

Mayor Hawke said that he was surprised to learn that there was a large deficit in the proposed School Department budget. He noted that in FY2019, an additional \$650,000 from the automatic 2½% increase will be generated, which would be expected to cover \$350,000 for the School Department; \$300,000 for municipal needs; \$200,000 in additional Pension obligations; and, \$150,000 increase by Monty Tech. He added that New Growth revenues would address other municipal needs. He added that the School Department is required to notify any employee by June 1 of a layoff.

Councillor Christine Johnson noted that with an additional \$700,000, the School Budget would be 3.2% above Net School Spending.

Mayor Hawke stated that he fully supports an override for the School Department, noting that a number of area schools have been supported with Proposition 2½ overrides.

Noting that there is over \$500,000 in the School Choice Revolving Account, Councillor James Boone stated that the City should be careful not to raid this safety net, since the Department is trying to improve the school system. He added that the override question should be put to the voters to get the School Department to the next level.

Councillor Nathan Boudreau concurred with Councillor Boone, adding that the Council should wait until the Mayor files his Budget before making a determination on the override question.

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Mayor Hawke noted that Free Cash cannot be used for salaries and that the City has many obligations for its use.

Councillor James Johnson suggested that Free Cash be committed to specialized stabilization accounts to cover major repairs within the School Department.

Superintendent Pellegrino responded by saying that the Department expended \$20,000 to \$25,000 for other repairs “and those [internal] transfers were made to address unexpected maintenance.”

Responding to a remark about Medicaid Reimbursements, Mayor Hawke stated that the School Department is receiving all of the reimbursements.

Councillor Karen Hardern questioned whether all Free Cash is committed, suggesting that some would be used to address the snow and ice removal deficit.

Mayor Hawke said that “all Free Cash is spoken for.” He added that all but \$20,000 is committed, which then “would fall to Free Cash in FY2019.”

Superintendent Pellegrino noted that the problem with “a one-year fix” is that the same problems will return next year. He said that he is asking for an adjustment for the Schools now, since the same [budget] gap will be there next year and then the challenges become greater. He added that if the School Budget [and override] is not approved, then “we will live with the consequences.”

Councillor Elizabeth Kazinskas questioned the revenue sources from which salaries could be expensed.

Mayor Hawke responded, by saying that salaries can be paid through the City Budget and Chapter 70 Aid. He added that if \$700,000 is approved by the override, then that amount is maintained above Net School Spending.

Councillor Ronald Cormier questioned the use of Stabilization funds for the FY2019 Budget.

The Mayor said that the Council could not vote to appropriate from the Stabilization Fund until after July 1.

Councillor Christine Johnson questioned whether Free Cash could be used for school supplies and asked if it could be possible to appropriate from Free Cash now and allow the Council to take more time to investigate the budget. She said that she spoke with Melanson Heath and was informed that DESE requires an annual audit of the School Department’s finances, as well as \$1M in prior year revenues that were understated.

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Mayor Hawke stated that he would agree to file an order from the Stabilization Fund to cover the projected FY2019 School Department Budget deficit if the Council agrees to schedule a Proposition 2½ Ballot override question on the November State Election ballot. He added that if the override passes, then the School Department will “be okay” for this year; however, if it fails, then there will be major problems next year.

Councillor Ronald Cormier remarked that if the Council delays the override question until the November election, then the Stabilization Fund appropriation would carry the department for the Fiscal Year.

The Mayor said that he has mixed emotions about withdrawing \$700,000 from the Stabilization Fund, particularly since the City will be borrowing for the Watkins Field project and “a new elementary school on the horizon.” He said that he would try to replenish the Stabilization Fund in the current Fiscal Year by drawing more than 10% from Free Cash to replenish it, but that there is “a trust factor” involved, suggesting that the Council support additional appropriations to the fund.

Councillor Elizabeth Kazinskas questioned the impact of the ensuing Fiscal Year’s School budget should the override fail.

Superintendent Pellegrino replied, saying that the City is putting off the vote for another year; therefore, there will be a shortfall next year.

Citing earlier comments about “\$1M in prior year revenues that were understated,” Mr. Pellegrino stated that the revenues were entered into wrong account numbers, but that “all money was spent in the right places.”

Councillor James Boone stated that he was on the School Committee’s Finance subcommittee for years and that they always created a bare-bones budget – always cutting. “Look where it got us. I thought it was a good thing” with minimum funding. “I’m guilty,” he added.

Mr. Pellegrino noted that “back then, we had over \$1M in School Choice revenues, so there was nothing wrong with what you did.” Since then, he said, the Schools have lost a lot of students to School Choice, so “we have to turn it around.”

Councillor Boone suggested that the City use the Stabilization fund only once “to get us over the hump.”

Councillor Nathan Boudreau questioned the reason why the City keeps “kicking the can down the road,” and said that it does not make sense to use the Stabilization Fund to balance the budget since it serves to “Band-Aid a major problem.”

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Councillor Edward Gravel stated that the Council “is doing its due diligence” and that “it’s not about making friends, but doing the right thing.” He added that the problem has been “kicked down the road since 2008” and “do we make the hard decisions?” or “do we force it to the voters?”

Councillor James Johnson stated that the Budget began with \$959,000 above Net School Spending and with the impending \$700,000 increase; the Department’s Budget will be \$1.6M above Net School Spending. Citing the Five-Year Gap slide in the Budget Presentation, he asked, “Where does it stop? We keep adding 2½% each year.”

Mr. Pellegrino stated that the biggest driver (negative) in the budget “is School Choice out.” The District’s fiscal condition would change drastically if students can be placed within the District. He noted that two students from Springfield are attending Gardner schools and the District bears the cost, which the City has no control over. He added that he cannot say that the budget will not increase in the future.

Councillor Karen Hardern expressed concern that a lot of people do not understand the budget problems and the override may be confusing, and noted that residents are having a difficult time economically.

On inquiry, Mayor Hawke said that the average tax increase would be \$100.00 annually. He noted that prior to 2008; the City experienced “negative free cash” and maintained a small Stabilization account balance. He added that municipal employees (non-school) experienced no pay increases for 5 years.

Councillor Craig Cormier asked for further clarification about the automatic 2½% increase in the levy before an override is considered.

The Mayor said that per the Assessors, colonial-style single family homes “are hot and ranches not,” so the tax impact would differ from homeowner to homeowner. He added that Gardner is in the bottom 20% of property taxes in the State.

Councillor Craig Cormier questioned the methods by which the City would utilize to improve the schools’ desirability to attract/retain families to its schools, as well as to restore Gardner High School to the place it once held [as] “number 3 in the State.”

Councillor Elizabeth Kazinskas noted some concerns including the lack of the Mayor’s Budget; a plan to identify which school positions that would be eliminated in the event that the override fails; and, the permanency of an override. She said that she does not believe that the Mayor and City Council would support diverting override-approved funds in future budgets, particularly if such action would jeopardize school department positions. She noted,

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however, that if circumstances dictated, additional funds not needed for the School Department could be used elsewhere.

Councillor Nathan Boudreau said that he's been told that "it takes a village to raise a child," so the Council needs to show the children its support. He noted that the School Department has operated "with the bare minimum for so long," so now it is the Council's chance to prove that it cares about its students.

Councillor Christine Johnson said, "The Mayor really hit the spot," as we all want our schools to succeed including extracurricular sport activities. She added that when the DESE Audit Report is issued and adjustments are identified, the City Council could also place a Proposition 2½ override question on a future ballot.

Councillor James Boone stated that the Council needs to do something to prevent the proposed slate of school staff cuts and to prevent a staff exodus now. He said that he hates temporary funding to fill the budget gap; however, the Stabilization Fund could be used to fill the gap until a ballot question is submitted to the voters in November.

Councillor Elizabeth Kazinskas suggested that the override election be held right away, citing concerns about teacher and staff retention, as well as training.

Superintendent Pellegrino expressed concern that the longer the period it takes to resolve the budget problem, the likelihood that current staff will be seeking employment elsewhere up until the date of the override vote. He added that if the override is held in November and it fails, then staff will have a longer period in which to seek employment elsewhere (to July 2019).

Councillor Nathan Boudreau suggested using funds from Stabilization to get through until November.

Mayor Hawke said that he would submit an Order to the Council for the necessary funding.

The meeting concluded at 7:07 p.m.

Accepted by the City Council: *August 6, 2018*