

Joint Fiscal Committee Meeting
December 6, 2007
Dover, New Hampshire 03820

CALL TO ORDER: A meeting of the Joint Fiscal Committee was called to order by School Board Chair, Marjorie Fisher, on Thursday, December 6, 2007, at 7:00 p.m. in the Office of the Superintendent of Schools.

ROLL CALL: Present were School Board Members, Marjorie Fisher, Chair, Doris Grady, and Carolyn Mebert; Dean Trefethen, Catherine Cheney, and Mayor Scott Myers, City Council.

Also present were School Board member elect, Britt Ulinski Schuman; City Manager, Michael Joyal; Superintendent of Schools, John O'Connor; Dover School District Business Manager, Laurie Verville; City of Dover Finance Director, Dan Lynch; City Council members elect, Rick Callaghan, and Karen Weston; and citizens, Don Medbery, Edward Bleiler, and William Colbath.

The public meeting was called to order by Marjorie Fisher. The main topic for meeting was the Fiscal Year 2009 budget process, specifically, the implementation of the tax/spending cap during the budget process. There were no speakers during the public forum. However, city councilor elect Rick Callaghan asked that citizen's have the opportunity to comment during the meeting. Fisher was agreeable to the request.

Mayor Myers stated that the new city council will hold a workshop to determine how to approach the "tax/spending cap". Myers noted the Joint Fiscal Committee's purpose is to discuss a few key questions and make recommendations to the city council. The four questions to be discussed and make recommendations on are:

1. What CPI-U numbers will be agreed to be used/ Year-end, annualized?
2. Proportionally, how should the city and state share the burden? Should county and state be split proportionally? Should highs and lows be shared?
3. Is one side not to exceed the cap at the expense of the other? Should one side benefit at the expense of the other?
4. Should building permits be used or assessed valued be used to determine new construction property tax?

Myers stated that we want to try and keep a moderate pendulum swing. Laconia, from which we are modeling our plan, uses a method that has the city pay state tax and the school department pays county tax. If the county has a double digit increase (greater than the CPI-U index), the money is absorbed in the city budget. This method creates spikes between county and state taxes as opposed to blending the tax figures. Another option would be for the city and school to share equally in the costs.

The county usually sets their budget in late Jan or early February. They would provide the city with an estimate before that time. Myers stated that we would know the worst case scenarios, although their estimates are usually fairly accurate.

There was lengthy discussion on the Consumer Price Index (CPI) formula with Manager Joyal noting that there is language in the Amendment that is not clearly defined. Again, the issue of how to decide which CPI to use in the budget formula may end up for the City Council to decide.

Superintendent O'Connor stated that the School District will have a difficult time submitting a budget and might need to make adjustments. The council will need to adjust the budget accordingly.

Grady stated that the School Board's first goal was to create a budget within a specific percentage.

City Manager Joyal said that the city doesn't really need a number from the school district. The city won't put a number in the budget that is higher than the tax cap. It might actually make it easier for the school district during the budget process.

Mayor Myers said the city is only interested in the bottom line of the school district budget, not in each line item. School Board Chairperson Fisher agreed that the city would give the school district a number to use to develop their budget.

School Board member Grady asked what happened to the extra \$500,000 last year that was given back to the city. Councilor Trefethen stated the workshop will determine policy for handling revenue and expenses. Revenue is the city's revenue regardless of where it comes from.

Myers explained stating the school has returned money to the general fund, but it doesn't necessarily reduce taxes. There are two separate calculations. The school has returned money for at least the past four years. The money is generally used to fund teacher contracts, flooding, emergencies, etc.

Joyal stated the \$500,000 wasn't anticipated. It is factored in by the state as revenue and serves as a credit. The state requires the city to use as a credit. This reduces the school tax rate. The money is recognized by the state, but unanticipated by the city.

Dr. O'Connor stated that there are different types of entries. The county and state have different formulas and they can't offset each other.

Grady suggested that we are not at a point where we can talk about the county and state taxes. Myers added that we can't control what the city and state does.

Myers stated that he has no problem with the school and city dividing the state and county taxes.

The question is what formula should be recommended to the city council to get the final budget numbers.

Mr. Bleiler's opinion is that revenues and expenses should be shared on a prorated basis. Percentage of taxes is equal to percentage of money coming in. No one should gain or lose because of the tax cap.

Trefethen stated the formula would be determined by the city council during a workshop. New revenue comes from new construction. The city council decides who gets what money. Fisher added that the community can only recommend how money is to be divided.

Medbery stated that there was a huge item missing. Property values are decreasing and will continue to do so for the next year. All forecasts suggest this will be the trend. We have a "fruit salad" approach to spending now. "Raising budgets by 40, 30, or 10% will not be something that we will be able to do. Residences are staying on the market for over a year and values are decreasing." Myers disagreed. "We are not talking about setting property tax, only the tax rate. If spending is up, tax rates decreased (not property taxes, but rates)."

Myers continued that we can't focus on tax rates, assessed values are not what the tax cap is about.

Councilor elect Weston asked about retired debt. If school or city retired debt, wouldn't we still have money to spend. Joyal responded that a decrease in spending can be re-allocated or seen as a savings.

Grady said that we need to take one step at a time. There should be no guessing. We must start somewhere. The starting point would be to determine a certain amount of money based on a formula.

1. The formula is needed.
2. The School Board needs to look at the figure-over and above the budget
3. The School Board needs to see how the figure is being determined.

School Board Chairperson Fisher stated that Joyal needs assistance determining the formula. Joyal responded that it is not his decision, but a policy decision of the city council.

Grady asked what the percentage is that we are allowed to use. Myers and O'Connor will take last year's data and make an estimate as to what percentage should be used

Myers asked the committee to determine what CPI-U number to agree on. The annualized or the year-end number. Proportionally, how should the city and school share the pain and gain of county and state? Is one side not to exceed cap at the expense of the other side? There should be a good-faith agreement not to cut one side in favor of

the other. Should building permit values be used? Are they accurate? Should assessed values be used? The numbers are different in many cases.

Mayor Myers stated his opinion was for both bodies to look at assessed values so there will be no gap, annualized CPI-U index, and not to benefit one side at the expense of other.

Grady noted that in her 12 years on the School Board, no one ever mentioned building permits versus assessment issues.

It was discussed that the burden to select which CPI-U number to use should not be on Joyal or O'Connor. It is a policy question and elected boards should decide the answer.

Medbery stated that using the number of building permits is ludicrous. Contractors' costs change. Bleiler added that it would be up to Tom (Clark) to control builders. The permits shouldn't be issued if incorrect.

It was discussed that Dover should use permit applications because that is what Laconia uses and Dover voted in the tax cap based on the Laconia model. Trefethen noted there is no word "assessment" in tax cap language.

O'Connor made two recommendations.

1. Share annual CPI
2. One side not to share in others expenses

He also inquired as to whether we looked at 10-year list of numbers. It was noted that there is not a lot of difference in 5 year CPI-U numbers.

Joyal noted that the calendar year average CPI-U could be less volatile than the 12 month.

Councilor Cheney stated that we needed "formulas" as they are essential to understanding the situation. Joyal commented that the city should be viewed as a corporation. The school district and city should not be "against each other."

Grady suggested that City Attorney Allan Krans review the 2 different ways to determine the number before one is selected.

Joyal noted again that Laconia uses the average CPI-U and we should stick with what voters have voted. This is what they thought they were voting for.

Trefethen stated that we can change the policy at anytime if it is determined it is not the one that should be used.

Weston stated that she deals with contracts a great deal and, if the amendment passed using the building permit value that is the number that needs to be used; not the assessed value. "If that was the intent, then that is what should be done."

Joyal noted that Building Permits don't have values. Laconia uses application values.

Grady stated that she was not ready to make a recommendation to the city council and suggested meeting again after December meetings.

Myers said that recommendations should be agreed upon tonight, because it would be pointless to take this new issue to the current council. "This issue wouldn't be discussed with the new council until February because January's agenda is already packed."

O'Connor said that we need to set parameters. "A recommendation can be made because there is a quorum." Councilor elect Callaghan agreed with Grady that more information on CPI-U and property values is needed to make a recommendation.

Trefethen stated that he thinks there is a misconception as to what the JFC does. “This committee is only to make recommendations. The council will still need to set the policy. There will be an opportunity for the community to speak on the subject when the council comes up with a policy. The council is in control. They can be fair and equitable or not. There is no need to come back.”

Grady again stated that the school district has laws within which they must work and felt she needed more time to research school guidelines. At this time, she is not ready to vote on recommendations. Joyal agreed that the school has laws within which to work.

Fisher said that she would be ready to vote tonight, but thought there was no harm in waiting. Myers reiterated that there might be totally different members appointed to the JFC in January. He was hoping to answer the four questions. He reminded members of the committee that it was not legally binding. There won't be any additional information in January. There might not even be CPI-U numbers in January.

School Board member-elect Schulman stated that she would like to see a recommendation from the School Board whether it is at this meeting or the next one.

Councilor Cheney said that a workshop with the present council to show different options is essential. It seems like everyone is on the same page. She also noted that if a contractor builds a house and it is worth more than originally thought, he owes the city money.

Trefethen noted again that the construction value and value of the building after finished are two different things.

It was agreed at the meeting to recommend the following to the city council:

1. The city and school department should split county and state taxes proportionally
2. Neither the school nor city will exceed budget limitations at the expense of the other
3. The formula should use the annualized version of the CPI-U

The committee could not decide on a recommendation for the fourth question on how to interpret the language regarding new construction value. It was suggested by Myers that the assessed value be used, but it is uncertain whether this would be a legal decision that needs to be investigated further.

Bleiler stated that it was “no big secret to determine formulas. Go to building permits to get a rough value.”

Trefethen would like to move from debt financing to operating budget financing. “We should try to continue the trend to use cash instead of credit.” He made a suggestion to the School Board to think about allocating more money in the budget for maintenance. He also suggested that the city reduce future bonded capital requests.

Meeting adjourned 8:40

Respectfully Submitted,

John O'Connor, Ed. D.
Superintendent of Schools

cc: City Clerk
Mayor Myers
City Council
City Manager