

**NOTES OF JANUARY 9, 2013 RYE BUDGET COMMITTEE MEETING**  
**Public Hearing – School Budget**  
Final Revision B – Provided by the Rye Civic League

Present from Budget Committee: Randy Crapo (representing Jenness Beach Village District), Ralph Hickson (representing Rye Water District), Jim Meheras (Vice Chairman), Paul Goldman (Chairman), Peggy Balboni (representing School Board), Ned Paul, Shawn Crapo, Frank Drake (representing Rye Beach Village District).

Present from the School Board: Mike Schwartz, Kirsti Marella, and Maggie Duffy-Durkin (arrived late). Peggy Balboni is on both the Budget Committee and the School Board.

Present from SAU 50: Jim Katkin (Business Administrator), George Cushing (Superintendent), Mary Lyons, and others.

Total attendance excluding Budget Committee members, but including public and school board members: approximately 25.

Approval of minutes

The minutes from the December 12, 2012 meeting were unanimously approved without changes.

Overview of budget

Peggy Balboni explained that the proposed budget for 2013-2014 is \$12,938,447. The primary cost drivers are the New Hampshire retirement system, a 25 percent increase, and health insurance, which is up 11.2 percent. Tuition to private schools is up approximately \$150,000. *Editor's note: This is in reference to special education students, some of which apparently cannot be educated in the Rye schools.* The Rye School District's portion of the SAU 50 budget is up approximately \$70,000 due to an additional information technology position. *Editor's note: Rye is responsible for slightly more than half of the SAU 50 budget. SAU 50 is the School Administrative Unit for Greenland, Newcastle, Newington and Rye.*

Ms. Balboni continued, stating that there is a reduction of one teacher at the elementary school and one teacher at the junior high school. There are also reductions in part time positions, one from 60 percent to 40 percent, and the other from 40 to 30 percent.

New support staff contract, Article 2

Mr. Balboni continued, stating that the school board voted last night to accept the support staff contract. This covers a total of 34 persons. Reductions in health insurance were obtained. There will no longer be a POS or indemnity plan. Rather, two HMOs will be offered.

School board member Mike Schwartz described additional details relating to the new tentative contract. There are changes to the maximum accumulation of sick days and there is a limit of two weeks to the number of days that can be borrowed from the

sick bank. There is new language in the contract relating to reductions in force. More senior persons can be terminated if there is a stronger less senior person. There is a new pool of money for pharmaceuticals purchases. The increase over the next two years is 3 percent annually.

Mr. Hickson moved to accept the Warrant Article 2 relating to the support staff contract. Shawn Crapo seconded the motion. Ms. Balboni stated that the contract was still tentative until the Town votes to accept it. She agreed, in response to a question from Mr. Crapo, that there was no opportunity to change the contract until then.

Mr. Drake stated that the shift to HMOs seemed to be a radical change. He asked if there was any way that Obamacare will get at the issue.

Mr. Katkin, SAU 50 business administrator stated that there is a \$50,000 savings from the health care change. This is why there is only a \$10,000 increase in cost the first year. *Editor's note: This is an apparent reference to the \$10,670 cost increase for 2013-2014 reflected in Warrant Article 2.* Mr. Katkin explained that prior employees were on older plans. The indemnity plan was offered only up until 1995, the POS plan until 2005. The teachers are on a similar plan to what the support staff had prior to the new contract. The teachers' contract is not up for renewal for another two years.

Mr. Drake asked whether the 3 percent increase was compounded. Mr. Katkin confirmed. Mr. Drake then asked about the retirement plan. Mr. Katkin stated that all but 11-12 of the support staff are unqualified for the New Hampshire retirement system, as there is a 35 hour per week minimum.

The motion to approve Warrant Article 2 carried unanimously.

#### Video streaming, Article 5

Ms. Balboni explained that the School Board had just received this petitioned warrant article the prior day. The School Board was meeting the prior evening to approve the support staff contract, and voted to recommend this article at the same time.

Jason Saltmarsh, IT Service Director for SAU 50 spoke about the issue. His prior employer had a video streaming system. He indicated that the prior employer had underestimated the cost of outfitting the system. Twelve microphones were required. He believed that something could be done for \$4000, but he was unsure of the quality. One microphone might not be enough to do the Junior High Cafeteria. *Editor's note: This is typically where the School Board meets.*

Steven Borne, a Town resident, started to speak. Shawn Crapo cut him off indicating it was premature to comment.

Tom Sherman, another Town resident, then asked whether there was any reason why the system could not be shared with the Town. *Editor's note: Mr. Sherman is the newly-elected State Representative for Rye and Newcastle.*

Mr. Goldman responded that this might require that both meet in the same place. He continued, stating that the parallel Town warrant article had not been reviewed by the Budget Committee, but that it would the following evening. *Editor's note: Actually the Budget Committee had already approved that article, as Mr. Goldman stated the next evening. None of the Budget Committee members spoke up to correct Mr. Goldman on this point.*

Ms. Balboni asked whether the School Board would still be required to implement this if the cost was more than \$4000. Mr. Katkin stated that he was very concerned about the last sentence of the warrant article, requiring that the system be fully operational by September 1, 2013. Randy Crapo responded that they could not spend more than was provided in the warrant article, however, the equipment could be rented.

Shawn Crapo, referring to language requiring the secure storage of archived meetings, indicated that this would cause the cost to increase over time as more meetings would need to be archived.

Shawn Crapo moved that the warrant article not be recommended. Randy Crapo seconded the motion for discussion.

Mr. Drake asked what the School Board's rationale was for recommending the warrant article.

Ms. Balboni stated that they agreed with the intent, and that a quick look indicated that it could be done for \$4000.

Mr. Goldman stated that a dollar amount indicates that there should have been some due diligence and planning. Mr. Drake suggested that the Town be the guinea pig. Mr. Meheras suggested that there would not be a lot of use. Ms. Balboni indicated that Peter Crawford, who was in the audience, provided the cover letter to which the signed petition was attached. She suggested that he be permitted to speak.

Mr. Crawford explained that the rationale was to do for the School Board what the Selectmen have proposed in a warrant article for the Town. In 2012, the Town, by a substantial margin, approved a petitioned warrant article providing for the televising or streaming of Town meetings. *Editor's note: the vote was 894-399 in favor.* However, this was not implemented because there was no money attached to the warrant article. This year, the Selectmen have proposed a warrant article for \$4000, which provides for one microphone and one camera in the Town Hall courtroom. Town Administrator Michael Magnant has spent quite a bit of time looking at various options. Mr. Crawford stated that, while he has not seen a quotation, based on the way that Mr. Magnant was talking, he believes that Mr. Magnant has a quotation supporting the Selectmen's \$4000 warrant article. This was the source for the amount on this warrant article. Mr. Crawford stated that North Hampton had implemented video. Initially usage was low, but it increases over time. Portsmouth now has significant viewership.

Mr. Drake stated that typically parents are interested, but there would be some taxpayers as well. Some don't want to come down to the meetings.

Mr. Hickson asked whether, if this passed, there would be an automatic line item for future years. Mr. Katkin responded that he did not have an answer.

Mr. Goldman stated that he agreed with Mr. Drake. The spirit and intent is good. The problem is that there is nothing to back up whether this is the right amount, or a benchmark of success. If this passes and it doesn't work, the School Board would be on the hook to make this work. The money would then have to be taken from somewhere else.

Mr. Hickson asked who will do the archiving. Mr. Drake responded that Rose Marie Woods would be doing this. *Editor's note: Ms. Woods was secretary to President Richard Nixon. She achieved fame during the 1970s Watergate scandal after 18 ½ minutes of a tape was erased. She stated that the erasure had occurred inadvertently while she was transcribing the tape. There was widespread public skepticism over her*

*explanation as to how this had occurred. These tapes of oval office conversations were under subpoena by a Grand Jury. Shortly after the Supreme Court of the United States ordered President Nixon to turn over the tapes, he resigned the Presidency.*

The motion not to recommend this warrant article carried, with all voting in favor except Ms. Balboni.

Mike Schwartz of the School Board suggested that the Budget Committee could change its mind after the Town Budget session the next day. Mr. Goldman indicated that it could be reconsidered at the Deliberative Session, however backup would be needed.

#### Retention of year-end fund balances, Article 4

Shawn Crapo asked why this article was not being discussed. *Editor's note: this article permits the School District to keep 2.5 percent of the assessment each year, if not spent, to be used for emergencies, overexpenditures, or to reduce the tax rate.* Mr. Katkin responded that there was no appropriation for this. Rather it is taken out of the unassigned fund balance. This article is based on a new law last year. The DRA is trying to even out tax rates.

Mr. Goldman responded that this is as close as something can come to being financial and yet not be. Town Moderator Robert Eaton, who was in the audience, stated that the Budget Committee's recommendation cannot go on the warrant, as this warrant article pertains to the use of money already appropriated. The Budget Committee is welcome to discuss it, however.

Mr. Drake asked what the law did in terms of easing the ability to deal with a contingency. Mr. Katkin responded that the District never put aside more than .5 percent. This caps the amount at 2.5 percent. It permits a petition to the Department of Education in order to use the money. The State did this to stabilize the tax rate, and also to improve the bond ratings of towns. For fiscal integrity purposes it is better to have money set aside.

#### Overall budget, fourth grade class size issue

Mr. Goldman stated that it was now time to review Article 1. The Budget Committee has reviewed this and voted to recommend it. Mr. Katkin stated that the Budget Committee usually conducted a final vote after the hearing. Mr. Goldman stated that he was not intending to go through the budget line by line.

Steven Borne, a Town resident then spoke. He asked whether everyone had received the letter. The members of the school board present confirmed that they had, however none of the members of the Budget Committee stated that they had. Mr. Borne stated that he had not received any notifications of delivery failure on any of the e-mailed copies.

Mr. Borne provided a copy of the letter from tax payers to the Budget Committee and then read the letter. It stated that the tax payers wanted the decision to reduce the number of fourth grade classes from four to three reversed. The letter acknowledged a reduction in the students by 52: 20 at Rye Elementary School and 32 at Rye Junior High School. *Editor's note: these figures come from page 139 of the 2013-2014 budget. That page projects 186 students at the Junior High in 2013-2014 and 307 students at the*

*Elementary School in that same year. These figures are down from 218 and 327 respectively in 2011-2012, two years earlier. However, prior projections have been wildly erroneous. The 2012-2013 (page 7 of the pdf) projects a more than 20 student increase at the elementary school for 2012-2013. According to page 139 of the 2013-2014 budget, the elementary school students are down by 11 in 2011-2012.*

Mr. Borne continued, reading from the letter. The letter states that reducing the number of fourth grade teachers was not the best course. Historically, over the past 8 years, the letter states, there have been significantly fewer than 20 per class, with many classes less than 15 in size. Class size is important. The related quality of the education affects property values. The proposed class size is already at the threshold of 20. Late arrivals could increase the class size above 20. There would be a disruption if a new section was added midyear. The increase from 15 to 20 per class is 33 percent, a significant change for the current third graders. Providing a fourth teacher would mitigate a stress point. Many families choose Rye for its smaller class sizes. The current third grade class has more boys than girls, and boys tend to be more active and harder to supervise.

Mr. Borne ended by stating that the petition, which started out as one by the current third grade parents, was signed by more than 90 people. Many people came by each others houses to sign. He is concerned that this increase in class size will set a precedent.

Mr. Goldman responded with a process question. By this point the budget has been discussed, dealt with, and decided. He feels that the due diligence has been done. The decision on the number per class needs to be made by those closest to the issue. He understands the discussion about the quality of education. This should have come up earlier, and should have been presented to the school board.

Tom Sherman then spoke, stating he partly agreed. He's a third grade parent. This issue became very active very quickly. Perhaps they should have raised the issue earlier. But, if the shuttle is in the final ten seconds before launch and a flaw is found, it won't launch. If the flaw threatens the whole reason that the schools are here, they should stop and vet the issue.

Mr. Goldman responded that he did not know if they're in the last ten seconds. If the issue is of concern, it should not have been raised in the last ten seconds.

Randy Crapo stated that the Budget Committee only votes for the bottom line. The School Board can manage the individual line items as they want. At the Deliberative Session, more money can be voted.

Ms. Balboni stated that the parent's group received attention at the December 19, 2012 meeting and the issue is on the agenda for the January 23, 2013 meeting. At the meeting on December 19, 2012 the School Board stated that they would look at the issue. There is always flexibility in the bottom line.

Mr. Sherman stated that he would be attending all of the School Board meetings until this has been resolved.

Shawn Crapo stated that there is a 90 acre parcel available for sale. This could change the situation with regard to the schools. *Editor's note: This is an apparent reference to the Rand Lumber parcel on Wallis Rd. Rand has recently closed and is liquidating.* Mr. Crapo continued, stating that he was 41 and went through the Rye schools. At the time that he attended, the classes were closer to 30 than to 20.

Mary Lyons of the SAU 50 staff stated that they have a recent history of reducing class sizes as kids get older. In the lower grades they try to keep the classes smaller. If classes get larger than 20, they try to increase the number of sections. In this case, there are to be 2 sections of 19 and 1 section of 20. *Editor's note: additional figures will be posted on the RCL website shortly. Watch for them at [www.ryecivicleague.org](http://www.ryecivicleague.org).*

Mike Schwartz stated that class size is not the sole indicator. Someone asked whether the School Board had spoken with the teachers. Mr. Schwartz stated that that is not the role of the Board. They have dealt with the principals.

Mr. Drake stated that the School Board may be able to move things around. He would like a budget that results from a process.

Mr. Borne stated that it was not clear earlier that the cut was going to occur to the fourth grade. Also, the budget is difficult to understand. He has met with Mr. Katkin regarding this.

Mr. Goldman stated that Mr. Borne had not been at Budget Committee meetings. He senses that his comments are critical.

Mr. Katkin then stated that he accepted the criticism, and would try to make improvements. *Editor's note: Mr. Katkin has since provided additional information which is being analyzed and will be posted at [www.ryecivicleague.org](http://www.ryecivicleague.org) once the analysis has been completed.*

#### Overall budget, Portsmouth High School projections

Peter Crawford, a Town resident, then spoke. He stated that he had reviewed the budget in some detail. He agrees with Mr. Borne's comment that it is difficult to understand. However, it is apparent what has occurred with respect to Portsmouth High School attendance, which is a major driver of the costs.

The tax rate for Rye has increased over 60 cents in each of the past two years, which amount to approximately 6 percent on a base of about \$10, well above the inflation rate. Last year, the school tax rate was up by \$.37, with another \$.02 added to the state school tax rate. While the budget for the 2013-2014 school year appears to be a much lower increase than the prior year, which was nearly \$600,000, that is misleading as the increase over the two years is still large. A major reason for the increase in the budget for 2012-2013 was the large increase in the number of high school students projected. That estimate proved to be faulty. Looking at the two years together, the increase is still larger than any two year period in recent history.

Historically, it appears that only approximately 70 percent of the graduating eighth graders have attended Portsmouth High School. However, for the 2011-2012 school year, while 164.5 students were budgeted, the attendance turned out to be 184. It appears that 90 percent of the graduating eighth graders went on to Portsmouth High School. Even more incredibly, the sophomore class, when compared to the graduating eighth graders two years earlier, appears to have been at a 95 percent level.

It appears as though the School Board panicked after seeing this and increased the budget for 2012-2013 to 209 students. That level was consistent with an assumption that 90 percent of the graduating eighth graders would again attend Portsmouth High School. However, only 195 students showed up. While he has not received a definitive response as to the current number of freshmen, it appears that there are approximately 52,

compared to 71 Rye eighth graders the prior year. That would be about a 75 percent ratio. Yet, the 2013-2014 budget assumes an 85 percent ratio. *Editor's note: see page 137 of the budget, which states that it is assumed that 9, or 15% of the eighth grade students would be attending private high schools.*

Mr. Crawford continued, asking how confident the Budget Committee was with these projections, given the past errors and the importance of this issue to the overall budget.

He continued by stating that, at an annual cost of \$14,000 per student, the 14 students below budget for 2013-2014 indicates that there will be a surplus in this line item of approximately \$200,000. Mr. Crawford asked what will happen to this money. Shouldn't these then become funds that could be applied to reduce the taxes for 2013-2014? He also stated that it appears that \$100,000 which was voted in 2011 as an expendable trust for unanticipated tuition costs is being spent in the current year, 2012-2013, despite the number of students at Portsmouth High School being below budget. He asked whether this money was in fact being spent for special education.

Superintendent Cushing stated that the single year for the high school was an anomaly. It could have been the economy. Students were coming back from private schools. They have called the families to make sure that the students being charged for at Portsmouth High School are actually enrolled. In the past, they have found overbilling here.

Mr. Katkin stated that people move in and out of Town. The School District pays high school tuitions on a daily basis. They used to budget 75 percent. They do not any more because of the economy. Mr. Crawford asked whether the parents of eighth graders were being surveyed. Mr. Katkin responded that they were not, but the principal was being asked. Students who have little chance of acceptance at Philips Exeter should not be counted as not continuing to Portsmouth High School, he suggested.

With regard to the \$200,000 extra budget for high school attendance, Mr. Katkin stated that the budget was frozen in December 2011. They did everything necessary so that did not have to ask for an emergency appropriation. There is an agreement with the Budget Committee with regard to gross tuitions. That portion of the unreserved fund must go back to the taxpayers.

Mr. Crawford asked why, given the agreement just described, the 2013-2014 budget only provides for \$80,000 of the unreserved fund balance to be returned to taxpayers.

Mr. Katkin responded that they are also \$150,000 short on the special education budget. They hope to have \$80,000 to return.

Mr. Goldman stated that he would end the discussion and call for a vote. The Budget Committee voted unanimously to approve the School budget.

### Conclusion of meeting

Mr. Goldman then stated that they are basically done until the deliberative session. If, at that time, a change is made, the budget committee must meet and act on it. The meeting cannot adjourn unless they have done so.

Randy Crapo stated that voters used to be able to vote the budget up or down at the Deliberative Session. Now this is done at the polls. The Deliberative Session will be the last chance for voters to have input.

Whereupon a motion was made to adjourn, which carried unanimously.