

Hanover Finance Committee

Minutes: January 17, 2023

Location: Hanover High School, Graphic Arts Room and Via Zoom

Attendees: Kari Asmus (Chair), Carey Callaghan (Vice Chair), Kim Hartmann (School Board Representative), Bill Geraghty (Selectboard Member), Herschel Nachlis, Greg Snyder, Town Manager Alex Torpey (6:00 p.m.)

- 1) Call to Order at 5:03pm
- 2) Agenda Review and Reordering—The agenda will be reordered when the Town Manager arrives to immediately begin discussion of Town issues.
- 3) Public Comment – no public comment
- 4) Approval of Minutes – unanimously approved
- 5) Determine Position (if any) on Discontinuation of 6th Grade Reserve Fund
 - a) Unanimous agreement with the discontinuation of this Fund
- 6) Determine Position (if any) on Service Staff Contract
 - a) Some Members expressed concerns that the proposed wages may still not be high enough to attract individuals with the desired levels of experience and skills
 - b) Unanimous support expressed for this new contract
- 7) Review of Adopted Dresden and Hanover School District Budgets and Final Projection of FY23 School Tax Rate
 - a) At the December meeting, the projection was of tax increase of 11.75%.
 - b) Dresden side updates: Since December meeting, the carry forward amount is up \$200,000, the proposed RMS Instructional Coach will be largely funded by a grant, and additional tuition revenues have been identified. The service staff contract will add \$27,000 of costs.
 - c) Hanover side updates: Since December meeting, the carry forward amount is up \$400,000, the 6th grade reserve fund dissolution will yield \$381,000, a reduction from 27 to 26 classroom teachers will reduce expenses by \$143,000, an early

retirement was opted out of reducing that expenditure by \$31,500, and special education expenses have decreased by \$100,000. The new service staff contract will add \$4,000.

- d) Changes in the budgets: Ray school K-5 operating budget is up \$440,000 or 3.4%, and enrollment is down 28 students; the RMS budget is up 5.1% and enrollment is down 16; the High School budget is up 4.6%; the Dresden budget up 4.5%.
- e) Overall: We are looking at a tax rate most likely going up from 10.89 to 11.62, an increase of .73, for a 6.7% increase. This is a seemingly large jump, but more than half of it is due to a loss in state funding and the enrollment-driven increase in the Dresden assessment to Hanover. Additional educational spending would require a 3.2% increase in the tax rate, approximately.

8) Determine Committee Position on Dresden Budget

- a) Some Members expressed concerns about whether COVID-related policies continue to contribute to the short staffing issue. Questions were also raised about the size of the SAU administrative staff. Little that seemed unreasonable was identified, with, perhaps, one exception: Members expressed worry about RMS regular education teacher additions, which this year included the addition of 1 regular education teacher in an environment of 16 fewer students, and last year included 1.3 more regular education teachers in an environment with 10 less students. Some Members suggested that because of COVID's unique challenges to schools, staffs, and students, letting some of these things go forward was ok in this particular context.
- b) Budget unanimously supported.

9) Town Manager Update of FY22 Audit and FY24 Budget Process

- a) Audit side: There's a group meeting regularly from the Town, Auditors, and others. Turnover and lack of institutional memory make understanding the inherited budget and its remaining issues a still-difficult task.
 - i) There exists a 4-6 week timeline with questions that the audit should address. Further questions that may remain outstanding.
 - ii) With each thread pulled, further complexities are revealed. But no higher-level concerns have been indicated, nor malfeasance, just a drop-off in institutional memory and procedures that did not translate.
- b) Other issues from Town Manager:
 - i) There's no clear direction yet from Selectboard, and collective bargaining negotiations still remain underway.
 - ii) Looks like we're landing in the ballpark of doing the budget this year without tremendous pain.

- iii) Some concern was expressed about three union contracts still being in play, since we're behind on compensation, and these are likely to have us catching up a bit.
- iv) Questions remain about compensation and parking fund revenues.
- v) A remaining worry from the Town Manager is about a sizable range of not funded or under funded programs on the books, as well as big debt service items looming like water service upgrades (which isn't a tax rate issue). Looking more years out will therefore be important.
- c) Other issues from Members:
 - i) Members raised, again, the issue of the accounting and use of the insurance reimbursement funds, an account with over 900,000 in it that wasn't being reported as a revenue with insurance premium reimbursements. Moreover, instead of money being returned to the undesignated fund balance, it just accumulated and could be drawn on, which is a problem and not supposed to happen, and there seem to be contrary statutory requirements here.
 - ii) Concerns were raised about how to weigh in on major projects moving forward, when and how would one do that.
 - iii) Questions were raised about whether there is money unspent from FY22. Different sources give different answers to this. It looks like expenses are greater than revenues, and that reserves are going down.
 - (1) Town Manager notes that there may be a structural deficit here, and that the undesignated fund balance has been used for this, an approach that continues to worry some Members.

10) Determine Committee Position on Hanover School District Budget

- a) From School Board Member
 - i) Some have argued for 25 teachers, others for 27. Budget money is fungible once allocated, and in the budget, 26 teachers are recommended.
 - ii) Budget unanimously supported.

11) Determine Position (if any) on Raising \$100,000 for Education of Persons with Disabilities Fund

- a) Unanimously supported.

12) Determine Committee Position (if any) on Hanover 5% Retainage Warrant Article

- a) Members note support for 5% retainage for Dresden, which can't set up reserves for capital or operating expenses. And it worked out to 3.5%, under 5%.
- b) Some Members note worries about this proposal, though: In this case there are reserve funds for capital expenditures and special ed, and an ability to set up

additional reserve funds and use retainage, so this proposal may seem unnecessarily excessive. Some Members suggest 2.5% retainage instead.

- c) School Board Member notes the choice being about giving the School Board flexibility (until the allowance is revoked), or not.
- d) Committee Members note that this approach gives less transparency to emergency spending decisions, rather than bringing it in front of voters.
- e) Members: Also there needs to be an annual accounting of this.
- f) There was some discussion of “local control,” and how in this case, local control could be either to the Town and its taxpayers, or to the implementers in the school
- g) The Committee does not support this warrant article, by a 4-2 vote against

13) Discussion of Reports for inclusion in District Annual Reports and Letters to Editor

14) Report of Chair

- a) Next Finance Committee Meeting: February 13, with Town Staff perhaps
- b) Selectboard Budget Hearing: Monday, Feb. 27, 5 PM, Town Hall
- c) Selectboard Budget Hearing: Tuesday, Feb. 28, 5 PM, Town Hall
- d) Selectboard Budget Hearing: Wednesday, March 1, 5 PM, Town Hall
- e) Annual School District Meeting, Discussion Phase: Thurs., March 2, 5 PM (Hanover) and 7 PM (Dresden), Hanover High School Auditorium
- f) Annual School District Meeting, VOTING: Tuesday, March 7, 7 AM–7 PM, HHS Gym
- g) Selectboard Budget Adoption: Monday, March 20; 7:30 PM, Town Hall

15) Other Reports (as time allows)

- a) The entire Committee seriously commends the School Board Member for presenting the budget so clearly for the whole Committee.

16) Adjournment

- a) At 7:10pm