

HANOVER FINANCE COMMITTEE

Statement on the Proposed Dresden School District Budget for FY2021-22

The Hanover Finance Committee (HFC) is an appointed Town committee composed of Hanover residents¹ charged with reviewing school and municipal financial matters and offering guidance on those matters to public officials and residents.

During a public meeting on January 14, 2021, the Hanover Finance Committee voted unanimously to support the proposed FY22 Dresden School District Budget of \$28,204,661 in all suggested articles. This proposed budget will increase spending by \$400,685 or 1.4%, resulting in a 1.1% increase in net assessment to Hanover and an 8.2% increase in net assessment to Norwich. HFC also voted unanimously to support the proposed technology bond (Article 2), the new agreement with Service Employees (Article 4) and the proposal regarding inclusion of Hanover's 6th grade into Dresden (Article 6).

Many difficult decisions were made in this year's overall budget, with deferrals on capital improvements, new textbooks, field trips and staffing levels in order to reach an overall increase of 1.4%. These steps helped keep other district cost pressures (primarily driven by NH Retirement System contributions and wage rates) from driving the overall FY 2021-22 budget higher. HFC urges continued vigilance both in managing costs and contract negotiations.

The new collective bargaining agreement with Service Employees (custodians and maintenance) calls for Cost of Living Adjustments of .5% in year one of the agreement and between 1 – 1.5% in year two, depending on inflation.

Total net assessment for Dresden increased \$719,330 or 3.4% vs FY21. Despite significant decreases in several revenue sources, including a \$609,000 dollar decrease in 6th grade tuition vs FY21, the district was able to apply \$700,000 of retained funds to cover much of the shortfall—a surplus realized due to the Covid-19 school closure. The relative decrease in Hanover students from year to year (68.15% to 66.66%) results in a 1.49 percentage point decrease in Hanover's share of the net assessment. Thus the assessment to Hanover for FY22 is up \$164,069, or 1.1% vs FY21 and a \$555,261, or 8.2% increase for Norwich.

The technology bond warrant article calls for a \$842,764 appropriation through a bond offering to be financed over a 10-year term at indicative interest rates below 2%. Based on the timing of the financing, no payment is expected in FY2021-22. Annual payments (assuming a 2% interest rate) would be \$93,055. This expenditure will serve the district for at least the expected term of the bond. Additionally, savings to current operating expenses are expected to be gained as a result of this technology expenditure, further reducing the net expenditures related to this project.

The district has also retained a consultant with expertise in Federal grant applications and intends to make application to obtain such funds, which could amount to as much as \$200,000. This would reduce the cost of the project to taxpayers were the districts to receive any monies..

¹ Members are Kari Asmus, Carey Callaghan, Mac Gardner, Mary Hakken-Phillips, Jeffrey N.Ives, William V. Geraghty (Hanover Selectboard) and Kimberly Hartmann (Hanover School Board).

HFC has thought carefully about whether to incur debt for an expenditure of this type and has unanimously concluded that it is both necessary and proper to finance this type of project with the proposed warrant article given the fact that the installation will benefit the existing physical plant for many years to come. Moreover, it would be difficult in any individual budgetary year to absorb a cost of this magnitude without a significant increase in tax assessment for such year.

An important additional point must be made related to the district budgeting process. HFC worked closely with the School Board to come up with an improved methodology for determining 6th grade tuition payments that will allow for more transparency and simplicity in budgeting and managing the long-term goals of Richmond Middle School. This work is described in Warrant Article 6 and is supported by HFC.

HFC commends the Dresden administration and School Board for a well-run budget process in extremely challenging circumstances. HFC appreciated timely response to Covid-19 impacts and the reallocation of resources to meet these demands. While there is still uncertainty in the near term due to Covid-19, HFC is confident that all parties have the ability and fortitude to manage through this crisis in a way that is mindful of students, faculty and staff, administration, and taxpayers.

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