

Goffstown School Board – Audit findings – options for the Board’s consideration to manage surplus funds

December 18, 2017

The following were used for tax rate projections – these numbers are consistent with what the Town used for their 2018 budget preparations

Projected 2018 MS-1 Values = \$1,458,772,100 x 100.5% = <u>\$1,466,065,961</u>	
+/- \$0.01	+/- \$14,660.66
+/- \$0.10	+/- \$146,606.60
+/- \$1.00	+/- \$1,466,065.96

Options for the Board’s consideration:

1. Return all surplus money at the end of Fiscal Year 2018 (June 30, 2018)
 - a. Approximate value of \$9.1 Million is around a \$6.21 reduction in the local school tax rate assuming the tax impact from the table above – this would appear on the December 2018 tax bills
 - i. Current tax rate is \$14.63 but this was reduced from \$15.02 when the School Board liquidated \$570,000 from the 2.5% fund
 - ii. New tax rate for one year would be approximately \$8.81 for local school portion in December 2018
 - b. It is important to recognize that drastic swings in the tax rate can be very difficult for anyone who has their taxes paid with their mortgage through an escrow account
 - i. Potentially resulting in the lender issuing a refund check one year and then if tax collection amounts are not adjusted the subsequent year could result in a shortage and the need for homeowners to submit a check to cover the tax shortage
2. 2.5% of net appropriation can be kept on the books – this is approximately \$600,000 – currently, there is no money in the 2.5% fund because the Board used this money for tax relief for the December 2017 tax rate
 - a. This money can only be used for two purposes: tax relief and emergency expenditures with approval from the Commissioner of Education

3. Provide the voters an option (or several options) to try to manage the release of this surplus money over several years – this will provide tax relief but will avoid a one-year tax rate drastic reduction followed by an increase the subsequent year
 - a. Capitol Reserve Funds – All money to be retained by the Trustees of the Trust Fund
 - b. CRF establishment would be on the March 2018 Warrant for the town to vote on
 - i. According to RSA 35
 1. RSA 35:1-c Non-Capital Reserve Funds Authorized
 - a. Any town, school district, county, or village district may establish a reserve fund for the maintenance and operation of a specific public facility or type of facility or type of facility, a specific item or type of equipment, or for any other distinctly-stated, specific public purpose that is not foreign to its institution or incompatible with the objects of its organization
 - i. A CRF could be established that could fund building operations – this would allow budget lines to be zeroed out and use the fund to pay for plant operations
 1. Elementary schools could be the focus so as to not impact the middle school and high school tuition calculations per the AREA Agreement
 2. Review if GHS and MVMS expenditures, irrespective of funding source (CRF vs. General fund budget) impacts AREA Tuition calculation
 - a. It is possible to work with the SAU Board to clarify this per the AREA Agreement – DOE can facilitate meeting to open the AREA if needed to clarify
 - ii. This would be the equivalent of reducing the budget by a set amount over several years – providing tax relief
 2. RSA 35:1 Establishment of Reserve Authorized

- a. Any town, school district, village district or county may raise and appropriate money for the establishment of a CRF for the financing of all or part of the cost of:
 - i. Construction, reconstruction or acquisition of a specific capital improvement
 - 1. CRF for capital projects – could be CIP-approved projects
 - 3. RSA 35:1 III-a Reserve Fund to purchase land
 - a. Create a reserve fund to purchase land
 - 4. RSA 35:1-b Reserve Fund for Education of Persons with Disabilities
 - a. Any school district may establish a reserve fund under RSA 35:1 to meet the expenses of educating children with disabilities
 - i. This would be another option to pay for special education costs and reduce the general fund budget – the DOE requires that we establish a Maintenance of Effort for special education funding
 - 5. RSA 35:1 V Establishment of Reserves Authorized – Extraordinary legal fees and expenses related to present or foreseeable litigation
4. Special Legislation
 - a. The timeline for submitting legislation has passed – to consider submitting a special bill, unique and specific to Goffstown and/or New Boston would need approval from the Rules Committee
 - i. We could work with our State Senator(s) and Members of the House to explore legislative options:
 - 1. Expand fund retention beyond 2.5% - RSA 198:4-b
 - 2. Allow the Goffstown and/or New Boston School Districts to create a Reserve Account similar to towns and the Manchester School District – RSA 198:4-b III
 - 3. Allow Capitol Reserve Funds to be created for tax relief - RSA 35
5. Paying off existing obligations – this would allow for tax relief through the reduction of future budgets
 - a. GHS Bond
 - i. bond is set to expire in 2021 – the following debt schedule as found in the Town Report from January 2017

Year	Principal	Interest	Amount Due
2016-2017	605,000	118,425	723,425
2017-2018	590,000	101,463	691,463
2018-2019	580,000	81,975	661,975
2019-2020	570,000	58,974	628,974
2020-2021	565,000	36,275	601,275
2021-2022	555,000	12,488	567,488
Total Outstanding Bonds	3,465,000	409,600	3,874,600

- b. Honeywell Phase II Project
 - i. \$167,302.52 per year due on July 15th
 - ii. Total project was \$2,132,500
 - iii. 11 payments remain with expiration in 2028
 - iv. 11 payments at \$167,302.52=\$1,840,327.72
- c. Elementary modular classrooms
 - i. Total cost for modular classrooms – 573K plus interest
 - ii. Approximately \$126,349 per year – we are in year 2 of a 5 year lease

Example of creating and using a CRF for facilities to manage surplus funds:

December Tax Rate FY	Available for tax relief	Change in tax rate	Surplus draw-down from \$9.1 M
2018	2 Million – return of unreserved fund balance	Reduction of \$1.36	7,100,000
2019	2 Million from CRF – money reduced from general fund budget	Reduction of \$1.36	5,100,000
2020	2 Million from CRF – money reduced from general fund budget	Reduction of \$1.36	3,100,000
2021	2 Million from CRF – money reduced from general fund budget	Reduction of \$1.36	1,100,000
2022	1.1 Million from CRF – money reduced from general fund budget	Reduction of \$0.75	0

This model assumes:

- Establishment of Facilities CRF in the amount of \$7,100,000
- No additional money for tax relief – over collection of revenue or underspend of the general fund
 - In all likelihood, amounts available for tax relief would be larger for each year

- We would need to work with the New Hampshire Department of Education to accurately capture facilities-related costs so they are factored into the per-pupil costs compiled by the DOE annually
- No changes in the equalized assessed evaluation for the town
- Current building operations only – covering existing costs not new projects

FY 19 Budget amounts:

Location	Function	FY 19 Budget amount
Glen Lake	2620	107,446
Bartlett	2620	246,508
Maple Ave	2620	353,774
MVMS	2620	806,866
GHS	2620	988,234
	Total	2,502,828

- Further evaluation needed:
 - Creating CRF for use of these funds consistent with RSA 35:1 – c
 - To confirm expenditures from CRF still apply within AREA Tuition formula

Next steps:

1. Further research and investigation into any of the proposed options or additional options that may be brought forward
2. Consider holding a Public Hearing to give the community the opportunity to weigh in on any options the Board is considering
3. Releasing the Forensic Audit when the final report is received