



CONVAL

Financial Updates

February 2021



ConVal School Board
Budget and Property Committee

A series of articles designed to provide the ConVal School District community with information regarding various financial topics of interest

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Over the past several months, the ConVal School Board has posted a series of articles on the Board's website that have provided information regarding various financial topics of interest to the greater ConVal community as we managed the operation of our schools amidst the COVID-19 pandemic and prepared for the District voting scheduled for March 9, 2021.

This document combines all ten of the articles into one for your convenience - and nighttime reading pleasure 😊. Note that the last four articles address specific Warrant Articles on the District Ballot.

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Introduction - Financial Updates

November 13, 2020

There's a lot going on these days in the greater ConVal community with the operation of our schools amidst the COVID-19 pandemic, the elections and the fast approaching winter.

The school year began on July 1, professional development for teachers and other staff in August, and classes in September. We've done our best to keep you informed as we reopened and implemented outdoor learning, monitored the presence of the corona virus in the community, managed an issue with our tent supplier, and made decisions on fall and winter sports.

There's also been a high level of financial activity going on behind the scenes. COVID-19 has had a significant impact on our budgets since March. The School Board and administration have implemented almost weekly meetings since March and we've made some significant changes in the way we manage our operations and expenses. Federal and state programs to help with some of the unanticipated expenses are ongoing and seemingly ever changing.

We also have some significant financial milestones coming up (or recently completed), including:

- Negotiation of a new contract with the Contoocook Valley Education Association (representing teachers, special service professionals, and paraprofessionals)
- Allocation of taxes to the various towns in the District
- Development of our proposed budget for the 2021-22 school year
- Deliberative Sessions in February and March - when you'll be able to vote on the new contract and the proposed budget along with any other "Warrant Articles" that are included on the ballot.

This may not be as newsworthy as some of the other activities mentioned above, but it's all important and we want to keep you informed as we continue to manage the financial side of the house.

Between now and the end of January, we plan on issuing an array of financial communications including press releases and a series of relatively brief and targeted articles addressing some of the above financial topics. We will also be publishing our third annual "School Budget Primer" in January which will provide a more detailed discussion and analysis of the proposed budget and any other warrant articles. [Plans change...this document replaces the "Primer"](#).

These will all be available on the ConVal School Board website: schoolboard.convalsd.net

We'll let you know when we post new material. Stay tuned.

Jim Fredrickson (Sharon)
Chairman, Budget & Property Committee
ConVal School Board

Covid-19 Costs

The COVID-19 emergency that started this past March has demanded that we all make significant adjustments in our lives in order to protect ourselves, our families and our neighbors. Last spring, with a few months left in the 2019-20 school year, we shifted to a remote learning model and this fall we started the school year following a hybrid learning model which includes both in-person and remote lessons.

We are now several months into the 2020-21 school year and are thoroughly impressed by the way students, staff and the community have adapted to the learning model we are following. The ConVal School Board and the Administration are committed to keeping everyone safe and we can assure you that this mission and philosophy has been paramount in any decision we've made over the past six months, and will continue to remain our top priority going forward.

This article is intended to provide a brief summary of the *financial* impacts of the pandemic on the recently completed (2019-20), the current (2020-21), and our next (2021-22) school years.

The financial situation is probably best described as fluid as our cost estimates change and, perhaps more significantly, as our federal and state authorities define the various relief packages that will offset some of the unanticipated costs.

These estimates are updated and reported on during our regular Board meetings.

2019-20 School Year

We were well into the fiscal year (July 1 – Jun 30) when Governor Sununu declared a state of emergency on March 13, just days after District voters approved our 2020-21 budget. ConVal started remote learning on the 18th and the effort to understand and quantify the financial impact began in earnest.

Closing the schools and moving to a remote model did not result in net savings. There were some savings associated with the shift (e.g. transportation and fuel, facility operations, special education services, supplies, furniture & equipment, etc.), but these costs were offset by others (e.g. technology).

Our auditor's field work for the FY2019-20 school year was recently completed and our "MS-25 School Financial Report" was signed by the Superintendent and all Board members and submitted to NH Department of Revenue.

The key "take-aways" from this report include:

- Total annual expenditures were under the appropriated amount (as required by law)
- \$1,853,000 was "encumbered" (transferred to FY 20-21)
- \$600,000 was reserved for the various District Trust Funds (as approved by voters in March)
- Approx. \$570,000 remained in the "unassigned fund balance" (more on this a subsequent article)

From a school operation point of view, our teachers, staff, and administrators demonstrated their ability to adapt and to effectively implement a decidedly different method of learning.

2020-21 School Year

Unfortunately, our budget for this school year was approved by District voters literally days before we had to implement remote learning and, as such, there are significant unanticipated costs that have to be addressed. There are a lot of “moving parts” in this ongoing activity on both the cost and the revenue sides of the financial equation.

Unanticipated Costs

Here is a high-level description of some of these estimated unanticipated costs (\$\$ not included since these are subject to change and are reported on during School Board meetings):

- Additional staffing (e.g. teaching staff and nurses).
- Technology and communication equipment, such as Chromebooks and hot spots, for students and staff to use during remote learning.
- Daily cleaning and sanitizing of all school buildings. This will be done frequently throughout the school day, and each building will receive an extra deep cleaning each night.
- Safety equipment, such as personal protective equipment (PPE) for teachers and students
- Outdoor classrooms - the tents being used for outdoor instruction which allows for more physical distance between students and decreases the viral load.
- HVAC system upgrades to help improve the air quality and circulation in our schools.

The largest unanticipated cost was associated with certain prescribed special education services we were required to provide last year but could not because of the situation. It should be noted that the State granted schedule relief but did not waive the requirement to provide these services. These must be provided and paid for this school year – and they will be, using “encumbered” funds that were carried forward from last year.

State laws and regulations require that our costs cannot exceed the budget approved by voters each March. There are several ways that we are able to accommodate the unanticipated costs associated with COVID:

- \$\$ within the general fund can be moved (with Board approval) between line items
- Budgeted programs can be reduced, deferred or, as a last resort, eliminated
- The budget for the current school was effectively increased by encumbering (transferring) funds from FY19-20 to FY20-21 (the Board approved this in June)
- District Trust Funds can be utilized in lieu of the general fund for certain allowable expenses.
- Some COVID related expenses can be shifted out of the general fund and be covered by various federal or state programs that specifically address the cost of the pandemic.

We actually started last fiscal year by making several technology purchases in anticipation of the continuation of remote learning.

Revenues – Federal & State

Certain COVID-19-related expenses do or may qualify for reimbursement by the federal or state government. Unfortunately, the amount and timing of this revenue is somewhat unpredictable and some of the guidelines are fairly restrictive and/or lack full clarity.

- Federal funding was provided to the state under CARES (Coronavirus Aid, Relief, and Economic Security). The ESSER (Elementary and Secondary School Emergency Relief) Fund created under that law provides funds for expenses incurred relative to COVID-19 and remote learning dating back to March 13. Initial ConVal award: approx. \$312,000
- FEMA recently reversed their position and determined that schools do not qualify (over \$1 million was estimated for ConVal) since “the education of children is not an immediate action necessary to protect public health, life, and safety.”
- GOFERR (Governor’s Office for Emergency Relief and Recovery) funds were made available to towns earlier this year (and not to the District directly). A portion of these could conceivably (but not likely) have been made available by the towns to the District. We asked for any available assistance, but none was available from the towns – they had their own costs to cover.
- In mid-October, our Governor made an announcement regarding an additional \$45M CARES award to schools at a rate of approximately \$200 per pupil (NH DOE Supplemental Public School Response Fund). ConVal estimate: \$399,500

Stay tuned for inevitable changes to the above.

2021-22 School Year

The Budget & Property Committee recently revised its FY21-22 Budget Guidance to the School Superintendent and made our current instructional model the baseline for next school year.

The school administration team is currently developing their recommendations and will present that to the School Board in early December. The Board will have until late January to revise, approve, and post our proposed budget (and default budget).

The budget will be available for review and amendment by the public in February. Voting by Ballot is scheduled for March 9, 2021.

Summary

We have all worked hard during the health crisis to ensure that the District meets all fiscal requirements and we will continue to do so with absolute focus on health and safety and with minimal impact on the quality of education we provide our students.

We encourage all interested community members to attend our School Board meetings to hear and participate in all discussions surrounding the ongoing response to the pandemic. All meeting information, such as agendas, times and locations are posted online [here](#).

Thank you again for your interest, understanding and cooperation.

James M Fredrickson (Sharon)
Chairman, Budget & Property Committee - CONVAL School Board
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No. 3: COVID – Impact on Unreserved Fund Balance

“**Unreserved Fund Balance**” is an important amount in our budget to understand since that represents the amount “returned” to the taxpayers every year in the form of a reduction in tax assessments for the following year.

Unanticipated expenses associated with COVID-19 has reduced the amount available to be returned this year and recent state guidance allows Districts to retain more of that than normally allowed.

This article will explain that reduction. The next article in this series will provide details on the allocation of the tax assessments to the towns which are in the process of preparing your property tax bills.

COVID and Unanticipated Costs

In our previous article, we talked about some of the unanticipated costs associated with COVID-19 and about some of the ways our federal and state governments are providing financial assistance to school districts. Providing additional revenue is one way getting help. Several programs were described in the previous article.

Our state government is also helping by modifying some of the many stringent procedural requirements that must be adhered to in normal times. One good example of that is the decision to allow Districts to reschedule certain special education requirements that could not be performed during the recently completed school year. We discussed that in the last article.

State of New Hampshire Emergency Order #38 also provides some relief by providing flexibility in the use of “fund balances”.

That states (in part): “If a school district’s budget is insufficient to fund expenditures associated with addressing the COVID-19 pandemic, the governing body (i.e. the School Board) is authorized...to make such expenditure to the extent other revenues or unrestricted fund balance are available to meet those expenses.”

What does that mean and how will it impact our budget – and your tax bill?

For the following discussion, you may find it helpful to refer to Figure 1 at the end of this article. That includes some key financial information from our “MS-25 School Financial Report for the Year ended June 30,2020” that was recently submitted to the state.

Unreserved Fund Balance

One of the sources of “revenue” that shows up in our financial statements in any given fiscal year is the amount of any surplus, non-committed funds remaining from the previous fiscal year. This amount directly reduces the amount of the district tax assessment (the amount to be raised with local property taxes) that is calculated late each calendar year.

The prudent way to put together a budget – for the school district or for your family – is to plan to spend less than you take in. The amount of “excess” actually realized by the District each year is usually higher but can be lower than the \$\$ estimated when the proposed budget was developed (we typically include \$250,000 for this).

Unlike at home when the use of any excess is discretionary, our “excess” must be “returned to the towns” - unless the voters or the School Board have approved otherwise. Funding of the various District Trust Funds is an example of a voter approved exception. Encumbrances are Board approved. Both are discussed below.

Reserves for Amounts Voted

The use of Trust Funds provides the District with the opportunity to plan for the longer term and to avoid or reduce some year to year variance that might otherwise occur in the school budget.

Voters must approve the amounts put into these Trust Funds each year and have given the School Board the authority to spend. Public Hearings must be held before any such expenditure.

The School District ballot will typically include one or more Warrant Articles that are similar to Article 02 from this past March:

“Shall the Contoocook Valley School District vote to raise and appropriate the sum of \$550,000 to be added to the Contoocook Valley School District Capital Reserve Fund, previously established? This sum to come from June 30, 2020 fund balance available for transfer on July 1, 2020, with no amount to be raised from taxation.”

This past March District voters approved this and two similar Warrant Articles - \$25,000 each for our Athletic Trust and Health Trust Funds. \$600,000 total.

Encumbrances

Every fiscal year there are some commitments the District has made that cannot be completed in that fiscal year. One example would be the purchase of equipment that is ordered in April and delivered and actually paid for in August. Although the budgeted funds are committed in one year, they aren't actually spent until the following year. Associated funds must be formally transferred (encumbered) by the School Board (public vote) by June 30 each year – or those funds end up in the Fund Balance.

A total of \$1,853,165 was encumbered in FY2019-20 as shown in the MS-25. Included in the total were the unfulfilled Special Education requirements mentioned previously.

Reserve for Special Purposes

Certain revenues for the District are tied to specific expenses. Examples include grants from individuals or outside organizations. Another example is efficiency rebates. For FY2019-20, the total reserve was \$491,122.

Unassigned Fund Balance

The amount remaining after deducting for the various Reserves (Amounts Voted, Encumbrances, and Special Reserves) for FY 2019-20 was \$570,836.58.

Emergency Order 38

As discussed previously, the state has made an exception to the normal use of the unassigned fund balance. Rather than being required to “return” this balance to the towns, the School District was

provided with the option to retain any portion or all of \$570, 836 to offset some of the unanticipated costs associated with COVID-19.

During the October 27th Board meeting, we voted to retain \$320,836.58 which will be used for certain personnel related COVID expenses. The NH Department of Education has since approved this retention.

The balance of \$250,000 remaining after this deduction matches the amount included in the proposed budget voters approved this past March - but it is significantly lower than we returned in previous years.

Table 1 includes the amounts for Unreserved Fund Balance that were budgeted (“Proposed”) and realized (“Approved”) for the past several years.

Recall that the budget for any given school year is set in March for the following school year and includes an estimate of the unreserved fund balance from the ongoing school year. Note that ConVal has used a conservative estimate (\$250,000) for several years and has been able to “return” more than budgeted. Until this year.

Proposed Budget		Approved Fund Balance		Tax Bill
FY2017-18	\$250,000	\$1,372,508	FY16-17	
FY2018-19	\$250,000	\$851,339	FY17-18	December 2018
FY2019-20	\$250,000	\$1,294,239	FY18-19	December 2019
FY2020-21	\$250,000	\$250,000	FY19-20	December 2020
FY2021-22	TBD	TBD	FY20-21	December 2021

Table 2 – Unreserved Fund Balance by Year

The “Approved” amount in the Table represents the unreserved fund balance revenue that is used in the District Tax Assessment calculation each fall. This amount also included in the Annual Report distributed before the Deliberative Sessions in February and **March**.

Tax Assessments

Once the \$250,000 FY19-20 fund balance was finalized, the “District Assessment” could be calculated and apportioned to the nine towns of the District.

There are several prescribed calculations involved in determining how much each town must raise for the District through local property taxes. We’ll cover this in the next article.

Figure 1 - MS-25 School Financial Report For the Year Ending June 30, 2020

Figure 1 - MS-25 School Financial Report For the Year Ending June 30, 2020							
Assets							
	Total Current Assets						\$ 3,706,488.37
Liabilities & Fund Equity							
	Total Current Liabilities						\$ 191,364.23
	Fund Equity						
	Reserve for Amounts Voted						
	2 - Building Capital Reserve Fund	\$	550,000.00				
	3 - Athletic Trust Fund	\$	25,000.00				
	4 - Health Trust Fund	\$	25,000.00				
	Total Reserves for Amounts Voted	\$	600,000.00				
	Total Reserves for Encumbrances	\$	1,853,165.00				
	Total Reserve for Special Purposes	\$	491,122.56				
	Unassigned Fund Balance	\$	570,836.58				
						Approved Motion	
						Retain for COVID-19	\$ 320,836.58
						Unreserved Fund Balance	\$ 250,000.00
						Total	\$ 570,836.58
	Total Fund Equity		\$ 3,515,124.14			FY2018-2019 Balance	\$1,294,739.00
	Total Liability & Fund Equity		\$ 3,706,488.37				
Approved Motion (10/27/20)							
That pursuant to the State of New Hampshire Governor's Emergency Order #38, the Superintendent is directed to prepare a letter to be signed by the entire Board for submittal to NH Department of Education seeking approval to make emergency expenditures associated with the COVID-19 pandemic in the amount of \$320,836.58 utilizing a portion of the District's Unassigned Fund Balance.							

No. 4: ConVal School District Tax Assessment

You may have just received – or are about to receive – your latest property tax bill.

Each of the nine towns in the ConVal school district issues two tax bills every year. In July, the preliminary tax bill is issued and in December the final tax bill is issued. The preliminary tax bill is based on the previous year tax rates whereas the final December bill uses actual approved rates.

The tax bill is based on the assessed value of one's home. It includes four different taxes:

- State education taxes
- School or Local education taxes
- Municipal (or Town) taxes
- County taxes

This article will explain the key steps and calculations involved in developing the “local education” portion of the tax bill.

There are several key steps in the calculation of the bills (and the approximate dates these occur every year). School, town, and state personnel are all involved in this process.

1. Voter approval of school budget for the FY20-21 school year (March '20)
2. Determine Fund Balance for the FY19-20 school year (due Sept 1)... (see Article 3)
3. Calculate District Assessment and allocate to the towns (Oct)
4. Establish “local education” tax rate for each town (Oct-Nov)
5. Issue Property Tax Bills based on assessed value... November/December

After the school budget for the upcoming school year is determined by vote in March, it must be apportioned to each of the nine towns in the district. The method used for this must adhere to both state laws and regulations and to the ConVal School District **Articles of Agreement**.

District Tax Assessment

Table 1 includes key data from the “Cooperative District Apportionment” document issued by NH Department of Education for the last several years. The most recent report (for FY2021) is dated November 3rd. The report states the total amount to be raised for the District through local property as well as the amount to be raised by each town.

The table shows the total District budget and District Tax Assessment for the past several years. Note that that amount to be raised through local property taxes is reduced by several factors – including the amount of State Education Taxes and State Adequacy Grants received by the towns in the District.

The balance (or **District Tax Assessment**) is what is then allocated to the towns based on the Articles of Agreement.

	2017	2018	2019	2020
Budget (MS22 & 24)	\$ 45,858,369	\$ 48,712,397	\$ 49,637,194	\$ 51,235,103
Total to Apportion	\$ 40,368,728	\$ 43,437,737	\$ 45,123,920	\$ 48,099,568
State Education Taxes	\$ 4,561,136	\$ 4,281,725	\$ 4,339,719	\$ 4,259,836
State Adequacy Grant	\$ 7,383,872	\$ 7,373,770	\$ 8,062,504	\$ 8,512,066
District Tax Assessment	\$ 28,423,720	\$ 31,782,242	\$ 32,721,697	\$ 35,327,666
			V%	7.96%

Table 1 - ConVal District Tax Assessments

State Education Taxes and Adequacy Grant - NH establishes state education tax rates for each town based on equalized values of homes and returns a portion based on a formula that represents the “Cost of an Opportunity for an Adequate Education”.

The Adequacy Grant received by each town is based on its **ADM** (\$3631.06 per student) and is increased for students that are:

- Eligible for free or reduced-price lunches
- Special education students with an individualized education plan (IEP)
- English Language Learners
- Below proficient level on the state assessment for reading

Apportionment

The **District Tax Assessment** total is allocated amongst the nine towns based on the following funding formula that is mandated by the District **Articles of Agreement**:

- Average Daily Membership (ADM) – 50% (a factor based on students from each town)
- Equalized Value – 50% (a factor based on assessed values of homes in the District)

Average Daily Membership (ADM) - Attendance and residence enrollments for the previous school year are reported to the state each October. The data is broken down by total district and town and by the following grade levels: pre-school, kindergarten, elementary, middle/junior high, and high school. This report is usually published by the state in February.

50% of the total district assessment is assigned to towns in the district based on each town’s percentage of ADM. The ADM for the 2018-19 School year was used for the 2020 District Assessment (<https://www.education.nh.gov/data/attendance.htm>)

Equalized Value – the state also collects and publishes information on the “equalized value” of homes within each town and the districts (<https://www.education.nh.gov/data/financial.htm>).

This data is used to calculate two taxes that show up on your tax bill:

- State education tax
- Local education tax

The state determines and publishes the state education tax rate that each town includes on the property tax bills. Each town collects this tax for the District.

50% of the total district assessment for local education is allocated to towns in the district based on each town's percentage of total district equalized Value. EV from 2019 was used for the 2020 apportionment.

Table 2 provides a summary of the current ADM and Equalized Value data.

District Allocation - 2020					
Town	ADM (2018-19)	% of District	Equalized Value (2019)	% of District	Total % District
Antrim	325.75	15.42%	\$ 284,199,452	11.94%	13.68%
Bennington	203.93	9.65%	\$ 130,016,520	5.46%	7.56%
Dublin	139.77	6.62%	\$ 267,826,093	11.25%	8.93%
Fracestown	174.88	8.28%	\$ 221,062,592	9.29%	8.78%
Greenfield	189.48	8.97%	\$ 178,972,295	7.52%	8.24%
Hancock	164.06	7.77%	\$ 282,972,606	11.89%	9.83%
Peterborough	721.56	34.16%	\$ 798,193,602	33.54%	33.85%
Sharon	46.21	2.19%	\$ 54,220,065	2.28%	2.23%
Temple	146.81	6.95%	\$ 162,526,923	6.83%	6.89%
CONVAL Total	2112.45	100.00%	\$ 2,379,990,148	100.00%	100.00%

Table 2 - Key District Tax Data

Table 3 shows the actual District Tax Assessment allocation by town for the past several years.

District Tax Assessments (2017-2020)						
Town	2017	2018	2019	2020	2019-20 Increase	
Antrim	\$ 2,874,978	\$ 3,395,767	\$ 3,275,899	\$ 3,770,878	\$ 494,979	15.11%
Bennington	\$ 1,670,828	\$ 1,762,575	\$ 1,949,857	\$ 1,996,829	\$ 46,972	2.41%
Dublin	\$ 2,837,395	\$ 3,352,339	\$ 3,529,139	\$ 3,667,159	\$ 138,020	3.91%
Fracestown	\$ 2,402,359	\$ 2,838,560	\$ 2,905,954	\$ 3,300,595	\$ 394,641	13.58%
Greenfield	\$ 2,358,123	\$ 2,419,147	\$ 2,713,545	\$ 2,661,678	\$ (51,867)	-1.91%
Hancock	\$ 3,174,970	\$ 3,609,652	\$ 3,548,505	\$ 3,878,607	\$ 330,102	9.30%
Peterborough	\$ 10,249,362	\$ 11,373,973	\$ 11,686,901	\$ 12,575,878	\$ 888,977	7.61%
Sharon	\$ 670,396	\$ 715,508	\$ 796,110	\$ 850,891	\$ 54,781	6.88%
Temple	\$ 2,185,309	\$ 2,314,721	\$ 2,315,787	\$ 2,625,151	\$ 309,364	13.36%
CONVAL Total	\$ 28,423,720	\$ 31,782,242	\$ 32,721,697	\$ 35,327,666	\$ 2,605,969	7.96%

Table 3 – Local Property Tax Assessment by Town

Property Tax Bills

Each of the nine towns in the ConVal school district issues two tax bills every year. In July, the preliminary tax bill is issued and in December the final tax bill is issued. The preliminary tax bill is based on the previous year tax rates whereas the final December bill uses approved rates.

Table 4 shows the approved tax rates included in current property tax bills. “Local Education” is the ConVal School District tax rate.

2020 Tax Rates							
Town	State Education	Local Education	Total Education	Municipal	County	Total Rate	\$200k Home
Antrim	\$ 2.05	\$ 14.80	\$ 16.85	\$ 10.57	\$ 1.13	\$ 28.55	\$ 5,710
Bennington	\$ 1.86	\$ 15.52	\$ 17.38	\$ 10.99	\$ 1.02	\$ 29.39	\$ 5,878
Dublin	\$ 1.92	\$ 13.40	\$ 15.32	\$ 5.81	\$ 3.50	\$ 24.63	\$ 4,926
Francestown	\$ 1.83	\$ 15.15	\$ 16.98	\$ 7.86	\$ 1.02	\$ 25.86	\$ 5,172
Greenfield	\$ 1.96	\$ 15.63	\$ 17.59	\$ 8.50	\$ 1.06	\$ 27.15	\$ 5,430
Hancock	\$ 2.01	\$ 15.47	\$ 17.48	\$ 7.60	\$ 1.14	\$ 26.22	\$ 5,244
Peterborough	\$ 2.04	\$ 17.74	\$ 19.78	\$ 9.92	\$ 1.14	\$ 30.84	\$ 6,168
Sharon	\$ 1.76	\$ 14.80	\$ 16.56	\$ 5.09	\$ 0.95	\$ 22.60	\$ 4,520
Temple	\$ 1.81	\$ 16.09	\$ 17.90	\$ 5.25	\$ 1.01	\$ 24.16	\$ 4,832

Table 4 – District Property Tax Rates

Your tax bill uses the above tax rates and the assessed value of your home. The tax rates are expressed in \$ per thousand of assessed value. The table also includes a calculation of total property tax for a hypothetical \$200,000 home in each town. For example, the total annual property tax in Temple would be: $200 \times \$24.16 = \4832 .

Once this total annual tax for each property is determined, the final December bill can be calculated by deducting what was paid in July.

Why are Property Taxes so high?

Great question. We’ve walked you through the local education property tax calculation process. You can see that there are a lot of “moving parts” that can change from one year to the next.

In NH, property taxes are used to fund a higher percentage of the costs of education than most, if not all, states. Will that change? Hard to say – but there are ongoing discussions at the state level that might end up shifting some of the burden off local property taxes for some, or all, communities.

Note that the ConVal School District filed a lawsuit against the state of NH in March 2019 regarding the state’s failure to meet its constitutional requirement to fund an “adequate education”. The current “Adequacy Grant” is deemed inadequate (well below the actual cost per student). The state Supreme Court ruling is expected soon – possibly by March. Stay tuned!!

The next few articles in this series will be focused on the School Budget for FY21-22 (vote March 9th).

No. 5: ConVal Budget Process

Our last article discussed the recent tax bills. This one will address the process and timeline followed to develop the next budget (FY 2021-22) which will impact final tax bills issued a year from now.

School Board -The ConVal School Board consists of thirteen members, each elected by voters in their respective towns for a three-year term. The Board has statutory authority and responsibility in two key areas: Policy and Budget.

The Board starts the budget process each summer (usually just after each school year ends on June 30th) by providing “guidance” to the District Superintendent regarding development of the budget for the following school year. The Superintendent then develops and recommends a proposed operating budget to the Board. Over the course of several months, the Board reviews, discusses, amends, and then finally has a formal vote to approve the budget that is presented to the public and must be approved by District voters as a separate “warrant article” each year in March.

This past year was not a normal year. The impact of COVID on District resources (both financial and personnel) has been significant. The budget development schedule described below started at the same time as usual, but the Superintendent requested (and the Board approved) a one month delay for the submittal of the budget to the Board for review. That just happened - on Saturday December 5th - at the Board’s annual budget planning meeting.

Budget Guidance – One significant change in the process this year was the budget “guidance” the Board provided to the Superintendent. It has changed as the pandemic has changed. We started with “Plan A” being return to normal for the 2021-22 school year with “Plan B” being a continuation of the current hybrid model of instruction. That was later reversed as the inevitability of the second wave became probable – and was changed again as the likelihood of effective immunizations increased and as state requirements for long term remote instruction options are emerging.

Remote learning is likely to be an “option” that will outlast the pandemic. State regulations requiring that are being discussed. The key factor now is flexibility.

Discussion of the merits of the Board’s guidance and our instructional delivery model(s) going forward deserve an open discussion with public involvement. We’re going to do that - but not in this article.

Budget Schedule - The school year runs from July 1 through June 30. There are several key steps in the annual school budget process. There are many opportunities for public participation. Each step will be briefly described below.

The process to develop the budget for the next school year begins well before the March vote. Here’s a typical budget schedule (with this year’s adjustments for COVID highlighted in yellow):

- July – School Board provides preliminary budget guidance to the School Superintendent.
- Aug to Oct (Nov) – Superintendent and school administrators develop budget options based on School Board guidance.

- November (December 5) – Superintendent submits budget to School Board for review.
- Nov to Dec (Jan) – Board reviews, modifies, and approves the proposed budget to be included on March ballot. A “Default” budget is prepared.
- January – formal submittal of warrant articles for the proposed budget and default budget. The Board’s recommendation regarding the budget is included on the warrant article voters see in March. Warrant articles submitted by public are also due. The last day for the initial public hearing on the budget: January 19, 2021.
- February - **District Meeting Part I** is held - usually mid-month at the high school. This meeting is open to the public. The proposed budget and other *warrant articles* that will be on the March ballot are presented and the public is provided an opportunity to comment, ask questions, and can propose amendments to any warrant article whether it was initiated by the Board or by registered voters in the District.
- March - **District Meeting Part 2** is the actual voting held in the individual towns. The proposed (as amended) budget is always one of the warrant articles on the ballot. Other typical warrant articles may include: proposed contracts (e.g. teachers), allocations to the district trust funds, school board stipends, etc. There may be one or more voter-initiated warrant articles as well.
- Fall – budget allocation to the towns for use in final property tax bills (refer to the Article 4).
- December - each town finalizes and publishes final tax rates for the year

The dates for the two District Meetings have been established:

- Part 1 – February 2, 2021
- Part 2 – March 9, 2021

No. 6: ConVal School District Warrant Articles

Our last article was published in mid-December. It discussed the process and timeline followed to develop the school district budget which is subject to voter approval in March. A lot has happened since then:

- The School Board has reviewed and modified the budget as submitted by the administration
- The proposed budget was presented at a Public Hearing on January 12th
- The Board voted to approve the proposed budget and the default budget on January 22nd
- The Warrant Articles for the March 9 ballot were finalized and posted on January 25th

Next up:

- District Meeting Part 1 - Deliberative Session at CVHS (Gym) February 2, 2021 6:00 PM
- District Meeting Part 2 - Voting (in Individual Towns) March 9, 2021

At the Deliberative Session, all proposed Warrant Articles will be presented and attendees will have an opportunity to ask questions about any of them. Voters can also propose amendments and, if approved by voters in attendance, the amended Warrant Articles will be included on the final ballots.

The proposed March 2021 District Ballot will include the following Warrant Articles:

1. Operating Budget – School District SB2
2. Accept the Collective Bargaining Agreement
3. Special Meeting for Defeated/Amended Collective Bargaining Agreement
4. Appropriate to Special Education Reserve Trust Fund from Fund Balance
5. Appropriate to Building Capital Reserve Fund from Fund Balance
6. Appropriate to Energy Trust Fund from Fund Balance
7. Appropriate to Equipment Trust Fund from Fund Balance
8. Appropriate to Athletic Trust Fund from Fund Balance
9. Appropriate to Building Capital Reserve Fund from Fund Balance
10. Accept Reports of Agents and Auditors
11. School Board Salaries
12. Fund Balance Retention
13. School Board Members

It may be convenient to think about these in groups in terms of what they impact:

- FY2021-22 Gross Budget (Articles 1 and 2)
- District Trust Funds and Fund Balance (Articles 4 to 9 and 12)
- Administrative (Articles 3, 10, 11, and 13)

The next three articles in this series will cover the following topics and will be posted on the School Board website: <http://schoolboard.convalsd.net/>

- Collective Bargaining Agreement (Warrant Articles 2 and 3)
- District Trust Funds and Fund Balances (Warrant Articles 4 through 9 and 12)
- FY2021-22 Gross Budget & Default (warrant Article 1)

No. 7: ConVal Education Association Collective Bargaining Agreement

This article will address Warrant Articles 2 and 3 which are associated the proposed extension of the contract between the School Board and the Contoocook Valley Education Association (CVEA).

CVEA is the exclusive representative of district employees in the Collective Bargaining Unit which includes district teachers, specialized service professionals and paraprofessionals. CVEA does not represent District supervisory or administrative staff.

The Board and CVEA appoint members to their respective negotiating teams which then conduct the negotiations - typically during the summer and fall prior to expiration of the contract term. The resulting agreement is subject to approval by the full membership of each respective organization. Following that approval, the Board and CVEA approved “Collective Bargaining Agreement” (CBA or contract) is subject to voter approval. Only then does it take effect.

Both the School Board and CVEA have voted on and approved the proposed contract extension that is the subject of Article 02.

Background

Contracts between CVEA and the School Board have typically run from one to three years:

- FY15-16 through FY17-18 (3 years)
- FY 18-19 (one year)
- FY 19-21 (two years)
- FY 21-22 Proposed (one year)

Whenever a contract is subject to voter approval, the increased costs (appropriations) associated with the new CBA are **not included** in the Proposed Budget (Warrant Article 01). Votes on the budget and CBA are separate and additive. In years where the CBA continues (last year is an example), the proposed budget will **include** costs associated with any contractually agreed increases (e.g. FY2020-21).

There will be two Warrant Articles on this year’s ballot regarding the proposed CBA:

- 02 - Accept the Collective Bargaining Agreement
- 03 - Special Meeting for Defeated/Amended Collective Bargaining Agreement

The proposed Warrant Article language for these is included at the end of this article (below).

Warrant Article 02 – Proposed CBA

The onset of the COVID emergency in March 2020 resulted in a re-thinking of the traditional negotiation process. Both parties quickly agreed that a one-year extension of the FY19-21 contract that provided for pay increases for bargaining unit members would allow both parties to focus on school reopening and safety of students and staff.

Mutual objectives included a competitive salary and wage structure that would help the District attract new staff, retain existing staff, and address a few minor inconsistencies in the existing pay structures.

In addition, the Board was very appreciative of the spirit of cooperation, dedication, resiliency, and professionalism exhibited by the members of the bargaining unit during the crisis.

The revised pay schedules will increase wages and salaries and associated benefits (FICA and NH retirement) by an estimated \$847,899 over the current school year. No other significant changes in the contract were made.

The adjacent table is a summary of increases for the past several contracts.

CBA Term	School Year			
	2018-19	2019-20	2020-21	2021-22
2018-19	\$ 1,685,912			
2019-21		\$ 909,187	\$ 619,950	
2019-22				\$ 847,899
Extension				Proposed

District voters have approved all of these (and several prior to the ones listed).

What happens if the Warrant article is not approved? Does that mean CVEA members will not receive any raises? Not necessarily.....

Warrant Article 03 - Special Meeting

State laws and regulations require voter approval of contracts that involve additional costs. If voters do not approve proposed increases in Warrant Article 02, the current pay structure must continue and bargaining unit members do not receive any increases in pay – until the voters have the opportunity to approve another contract. That could mean the following March. However...

The bargaining unit members do not necessarily need to forego an increase if Warrant Article 02 is not approved by the voters. Approval of Warrant Article 03 means that the School District can call an **additional public meeting** to approve a revised collective bargaining unit agreement - in the event that Article 02 fails.

The bargaining unit members do not necessarily need to forgo an increase in salaries and wages if Article 02 is disapproved.

A NO vote on both Articles 02 and 03 means approval of a new agreement would have to be postponed until the following year District Meeting Part 2 (March 2022).

The actual language to be included on the printed ballots is included on the following pages – along with Board “guidance” (in the boxes) that will not be included on those.

A pre-vote flyer will be mail to all residences in the District before the March vote. That will include all warrant Articles and associated “guidance”. You are encouraged to use those to document your decision before you arrive at the voting process.

ConVal District Warrant Articles – March 2021 (Collective Bargaining Agreement)

Article 02: Accept the Collective Bargaining Agreement

To see if the Contoocook Valley Regional School District will vote to approve the cost items included in the collective bargaining agreement reached between the ConVal School Board and the ConVal Education Association which calls for the following increases in salaries and benefits at the current staffing level:

Fiscal Year	Estimated Increase
2021-2022	\$847,899

And further to raise and appropriate the sum of \$847,899 for the 2021-2022 fiscal year, such sum representing the additional costs attributable to the increase in salaries and benefits required by the new agreement over those that would be paid at current staffing levels.

(The ConVal School Board RECOMMENDS adoption of this article.)

A YES vote means you support adoption of the proposed collective bargaining agreement for the 2021-2022 school year, which will add \$847,899 to the budget, regardless of whether the proposed budget or the default budget (Article 01) is adopted.

A NO vote means: (a) there will be no monetary changes to the collective bargaining agreement (i.e. no increase in wages and salaries in 2021-2022 for employees covered by the agreement, (b) there will be no increases to the budget adopted as a result of Article 01, and (c) approval of a new collective bargaining agreement will be postponed until the following year). Note that Article 02 will provide an opportunity to address cost items in the Agreement prior to next year's vote.

The School Board Recommends a YES vote - for adoption of Article 02

Article 03: Special Meeting for Defeated/Amended Collective Bargaining Unit

Shall the District, if Article 3 is defeated, authorize the governing body to call one special meeting, at its option, to address Article 3 cost items only? (Majority vote required)

A YES vote means the School District can call an additional public meeting to approve a revised collective bargaining unit agreement, in the event that Article 02 fails. The bargaining unit members would not necessarily need to forgo an increase in salaries and wages provided the Board and the bargaining unit can reach agreement. A NO vote means approval of a new agreement would have to be postponed until the following year District Meeting Part 2 (March 2022).

The School Board has voted to Recommend a YES vote - for adoption of Article 03

No. 8: ConVal Trust Funds

There are six separate Warrant Articles included on the March 9 ballot that are associated with increasing the balances of our District Trust Funds:

4. [Appropriate to Special Education Reserve Trust Fund from Fund Balance](#)
5. [Appropriate to Building Capital Reserve Fund from Fund Balance](#)
6. [Appropriate to Energy Trust Fund from Fund Balance](#)
7. [Appropriate to Equipment Trust Fund from Fund Balance](#)
8. [Appropriate to Athletic Trust Fund from Fund Balance](#)
9. [Appropriate to Building Capital Reserve Fund from Fund Balance](#)

All six of these Warrant Articles involve “Appropriations” from “Fund Balance”.

Budget Basics

Let’s start with the basic concept of a “fund balance”.

$$\text{Revenues} - \text{Costs} = \text{Fund Balance}$$

Any budget includes estimates of revenues (income) and costs (or expenses) for a prescribed period of time. Our school budget covers the school year: July 1 through June 30.

For your home and business, it is generally good practice to develop a budget where revenue estimates exceed cost estimates (a surplus). Doing the opposite will result in a “deficit”. “Deficit spending” is a term commonly associated with our federal and state governments – not school districts.

Since many future costs can only be estimated when a budget is prepared, it is common practice to build a bit of margin into some of the various line items in the budget. At the end of budget period one can determine actual revenues and costs – and these will inevitably differ from the estimate. A surplus is the desired result - but the Goldilocks principle applies well here. If our budget is properly planned, the surplus will be “just right”.

General or Operating Fund - The School District has several different funds (or accounts) that are used, including: the “Operating Fund”, six (6) “Trust Funds” (described below) plus a few more not discussed here.

The Warrant Article for the school “budget” that voters approve each year determines the cost side of the Operating Fund budget. The revenues associated with the Operating Fund are not subject to voter approval since most of them are not within the District’s authority to determine or manage.

Fund Balance Disposition

The following discussion pertains to the various options for “disposition” of any end of year “Fund Balance” (or surplus) for the Operating Fund. These include:

- **“Transfer”** (or “appropriate”) surplus \$\$ from the Operating Fund to one of more of the various “Trust Funds”
- **“Retention”** by the District for use during the following school year.
- **“Return”** the remaining surplus to the taxpayers in the various towns – not directly, but by reducing the amount of taxes that need to be collected for the following school year.

“Transfer” to District Trust Funds

ConVal District voters have previously approved the establishment and funding of six “Trust Funds”:

- Building Capital Reserve Fund
- Equipment Trust Fund
- Athletic Trust Fund
- Health Trust Fund
- Special Education Reserve Trust Fund
- Energy Trust Fund

There are two general purposes for these funds:

- Emergency or unanticipated expenses (e.g. replacement of failed equipment)
- Levelize the budget (e.g. accumulate funds over several year for high cost project)

Each fund has a specific purpose that prescribes how funds in each trust may be spent . The School Board has been given the authority to approve expenditures from these Trust funds. Public hearings are required for any expenditure.

Funding of the Trust Funds - There are two ways to fund these funds – both of which require voter approval (by simple majority)

- “Appropriating” funds from the end of year Operating Fund “Fund Balance” (aka transferring)
- Direct appropriation

Appropriating from Fund Balance - Once the “surplus” at the end of each year is determined, \$\$ can be transferred to the various Trust Funds listed above – provided that voters previously approved specific warrant articles that define: the sum to be transferred, the fund to be transferred to, and that “sum (is) to come from” the prior year fund balance.

Here’s a typical Warrant Article.

“Shall the Contoocook Valley School District vote to raise and appropriate the sum of \$25,000 to be added to the Equipment Trust Fund as previously established? This sum to come from June 30, 2021 fund balance available for transfer on July 1, 2021 *with no amount to be raised from taxation.*”

A separate Warrant Article is required for each Trust Fund to be funded.

Direct Appropriation - Note the inclusion of the highlighted clause in the above Warrant Article. If this was not included, then the warrant article would be considered a *direct appropriation* – and approval would mean additional taxes would have been raised.

As an example, last March, voters approved the following Warrant Article:

Article 06: Establish and Appropriate to an Expendable Trust Fund for Energy Projects and Efficiencies

Shall the Contoocook Valley School District **establish** an expendable trust fund under the provisions of RSA 198:20-c, to be known as the Energy Projects and Efficiency Fund, **for the purpose of funding alternative energy projects and energy efficiency projects**, including but not limited to, future buyouts in the event the District enters into power purchase agreements, as well as funding the design, construction and implementation of alternative energy projects and projects designed to conserve energy, **and shall it raise and appropriate the sum of \$70,000 to be placed in the fund**; further to **name the school board as agents to expend from this fund**.

Follow the highlighted language and note that this warrant article (1) established a new fund, (2) established the purpose of the fund, (3) raised and directly appropriated \$70,000 for the fund, and (4) gave the School Board authority to expend from the fund.

Proposed Trust Fund Warrant Articles

The following table is a summary of the “Trust Fund” Warrant Articles that have been approved by District voters for the past several years – along with the proposed transfers for this year.

Trust Fund Warrant Articles								
March 2019			March 2020			March 2021 Proposed		
No.	Fund	\$\$	No.	Fund	\$\$	No.	Fund	\$\$
6	Special Education	\$ 200,000	2	Building	\$ 550,000	4	Special Education	\$ 100,000
7	Building	\$ 250,000	3	Athletic	\$ 25,000	5	Building	\$ 300,000
8	Athletic	\$ 100,000	4	Health	\$ 25,000	6	Energy	\$ 25,000
9	Health	\$ 50,000	6	Energy*	\$ 70,000	7	Equipment	\$ 50,000
						8	Athletics	\$ 25,000
						9	Building	\$ 200,000
Total		\$ 600,000			\$ 670,000	Total		\$ 700,000

*Direct Appropriation

Note that all of these proposed transfers from the year end fund balance are subject to:

- ✓ Voter approval and
- ✓ Availability of funds

At the end of any given year, there may not be sufficient “surplus” or “Operating Fund Balance” to cover all – or any – of these proposed transfers.

If there are funds available to cover some, but not all, then the monies are transferred to the Trust funds in the order they are listed on the ballot.

Since COVID19 has had such a significant impact on our current school year budget – which may result in a Fund Balance at the end of this year that is less than \$700,000, the Board included two separate Warrant Articles for the Building Capital Reserve Fund. If voters approve both and there is enough available, a total of \$500,000 would be transferred into that fund.

This funding sequence provides for a better chance of funding for the Energy, Equipment and Athletics funds.

Any remaining fund balance would then be either “retained” or “returned”

“Retention” – Retention of funds for use the following year is not currently on option except under extraordinary circumstances. This past year, the Governor did authorize a “one time” retention under Emergency Order 38 as part of the state’s Covid relief programs. The impact of this on the recent tax bills was discussed in Article 3 of this series. In the absence of this sort of authorization, the District cannot currently retain any \$\$ from the “operating fund” surplus.

State laws and regulations do provide for the establishment of a recurring “retention” option. There are towns in the District that have established that option. For ConVal, Warrant Article 12 would need to be approved – and the School Board would then establish a policy governing funding and use of this option.

The next piece in this series will address Warrant Article 12.

“Returns” - After all of the approved transfers (and retentions) are made, any remaining balance must be “returned” to the tax-payer/towns by reducing the District Assessment. Our proposed budget includes an estimate for this amount under “Local Revenue”, specifically as “Unreserved Fund Balance”.

We have included \$250,000 in estimated revenue for the past several years. The amounts that were actually returned are included in the table below. (Note that the amounts shown under each Budget year represent the Fund Balance the close of the previous fiscal year.)

Summary

At the end of each year (June 30), the amount of surplus is calculated and “distributed” to the following fiscal year Operating Budget in the following order:

- “Transfers to Trust Funds” - based on Warrant Articles approved that March
- “Retention” amounts – if allowed and as determined by the Board.
- Any remaining balance is “Returned” – which reduces the District Assessment.

These following table is a summary of these distributions for the past several years.

Budget Year	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
Transfers to Trust Funds	\$ 500,000	\$ 550,000	\$ 425,000	\$ 600,000	\$ 600,000
Funds Retained (Emergency Order)					\$ 320,836
Unreserved Fund Balance ("Returned")	\$ 1,066,833	\$ 1,372,508	\$ 851,339	\$ 1,294,739	\$ 250,000
Total	\$ 1,566,833	\$ 1,922,508	\$ 1,276,339	\$ 1,894,739	\$ 1,170,836
Direct Appropriation to Trust Fund					\$ 70,000

Note both the one-time use of fund “retention” and the “direct appropriation”.

In the future, “retention” of end-of-year surplus could be an option available to ConVal. We’ll discuss that (and Warrant Article 12) in the next article in this District Financial Series.

No. 9: Fund Balance Retention

The previous article in this series on District Finances discussed the three options for disposition of the remaining Fund Balance at the end of any given fiscal year:

- Appropriations to Trust Funds (“Transfer”)
- Retention of unassigned funds (“Retain”)
- Returned to the taxpayers when they are utilized by the Department of Revenue Administration in calculating the local education tax rate (reduction of District Tax Assessment) for following fiscal year (“Return”).

Article 3 of this series discussed NH Emergency Order 38 which allowed the District to “retain” a portion of the FY19-20 unused funds to meet the unanticipated costs associated with COVID. That was a helpful albeit temporary solution.

This article will discuss proposed Warrant Article 12 – “Fund Balance Retention” which would establish a contingency fund that could be used – indefinitely – to meet the costs of unanticipated expenses that arise during the year.

Although state regulations had previously allowed the district to establish a contingency fund, ConVal does not currently have one established. The combination of lessons learned during COVID and recent changes to contingency fund regulations has led to the Board’s decision to request voter approval to establish this contingency fund.

RSA 198:4-b Contingency Fund is the state regulation that allows a school district to “establish a contingency fund to meet the cost of unanticipated expenses that may arise during the year”. The regulation was modified, effective Sept. 27, 2020 to:

- increase the portion of unassigned funds that could be retained (from up to 2.5% to up to 5%)
- remove prior restrictions on how a district could spend this money.
- provide School Boards with more autonomy regarding the use of the funds by removing the requirement that the Commissioner of Education approve expenditures and
- establish requirements for approving and reporting of such expenditures.

Why would the school district want to retain a portion of the unassigned fund balance? Like a savings or balance in a checking account for a family, an unassigned fund balance is essential to be able to:

- Respond to an emergency or other unforeseen event such as an unexpected building repair, equipment replacement, or uninsured loss.
- Cover unexpected revenue shortfalls which would keep the district running in the event of late or lower than expected state subsidies.
- Maintain good credit ratings which will reduce the cost of borrowing or issuing debt.
- Stabilize cash flow
- Potentially generate investment revenue which can be used to offset tax increases

Warrant Article 12 - Here is the actual language in the proposed Warrant Article - followed by an explanation of what it means.

Article 12: Fund Balance Retention

“Beginning in fiscal year 2022/2023, shall the School District by this vote authorize, indefinitely until rescinded, it to retain year-end unassigned general funds in an amount, in any fiscal year, not to exceed 5 percent of the current fiscal year’s net assessment, in accordance with RSA 198:4-b, II. Such fund balance retained may only be expended after conducting a public hearing by the governing body in accordance with RSA 198:4-b. (Majority vote required)”.

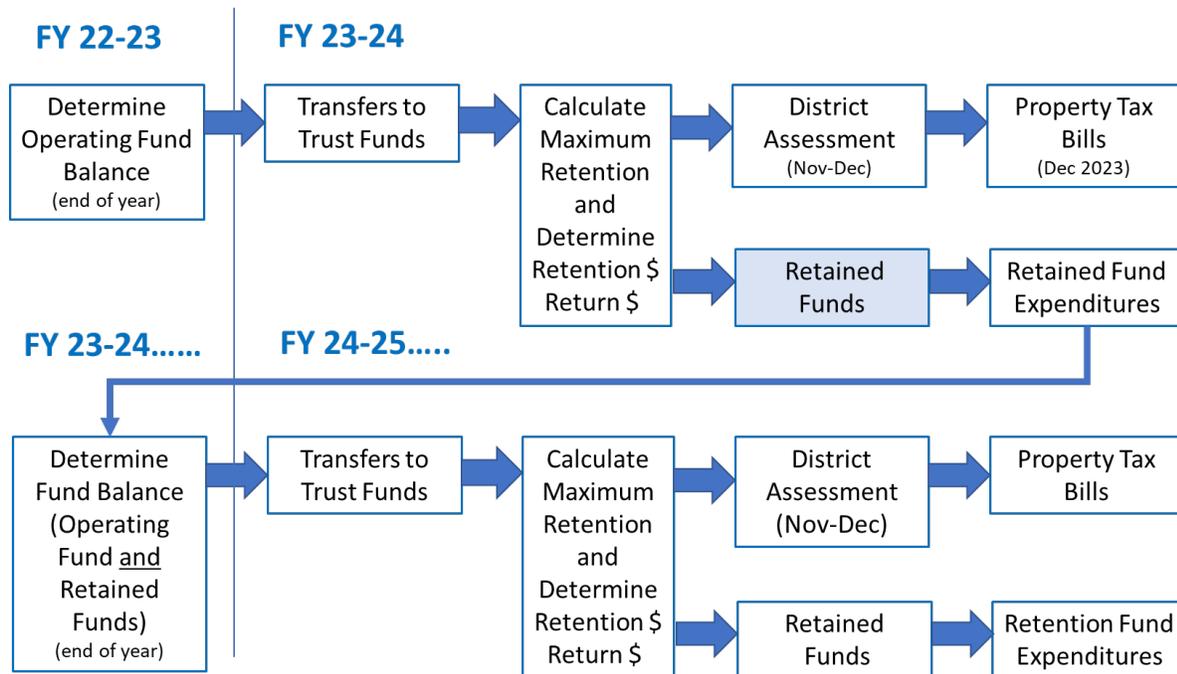
In the event this Warrant Article is approved, the School Board will develop and adopt a policy that will govern the fund. That Policy would allow the District to:

- “Retain year-end unassigned general funds”
 - after the approved Trust Funds are funded and
 - before any funds are “returned”
- The amount to be retained shall not “exceed 5% of the current fiscal year’s net assessment”.
 - The School Board will develop a District Policy that will set the percentage of net assessment that may be retained (e.g. 2.5% vs 5%)
 - Refer to “Retention Fund Maximum” on page 3 below for Net Assessment calculations.
 - The School Board determines the actual amount to be retained each year. Any fund balance not retained is “returned”.
- Expenditure of retained funds
 - Permissible uses of these funds will be defined by District Policy. There will be restrictions. The fund would not be used to offset the Operating Budget.
 - Any expenditure would require a **Public Hearing** followed by a **Board vote** to approve said expenditure.
 - A report on any expenditures will be included in the annual report
- “Beginning in Fiscal Year 2022-23” means that this retention process would not start until the Operating Fund Balance at the end of the FY22-23 school year was determined. The “retained funds” would be available for approved expenditure in the FY23-24 school year.
- The balance of any unexpended retained funds remaining at the end of each subsequent year would be subject to the Fund Balance disposition/allocation process described below.

Approval of this proposed Warrant Article and adoption of the corresponding District Policy to govern use of the Retained funds would provide a level of financial flexibility to react to emergencies or other significant unforeseen circumstances. It is considered to be a best practice in financial management that is currently used by many towns in the District and across the state.

Fund Balance Disposition Process

The flow diagram below depicts the process that would be followed to determine the allocation of the Operating Fund Balance in the first and subsequent years of Retention Fund existence.



Initial Operating Fund Balance Disposition

FY22-23 would be the first year of the District Retention Fund operation. The only source of funding would be the Operating Fund Balance at the end of FY22-23. Any appropriations to Trust Funds from the Fund Balance approved by voters in March 2023 would be the first priority.

The School Board would then determine how to split any remaining balance between “retained” and “returned” (by reducing the District Assessment used in calculating Dec 2023 property tax

bills). The amount retained would be subject to the maximum limit stated in the associated District Policy.

In subsequent years, the Operating Fund Balance and the Retention Fund balance at year end would be “combined” and the total \$\$ would then follow the same allocation process as the first year.

Retention Fund Maximum

The maximum limit for the Retention fund stated in Warrant Article is 5% of the Net Assessment. It is likely that the School Board will establish a lower limit in the associated District Policy.

The calculations for two max limit scenarios is included below:

- District Assessment (the amount towns had to raise through taxes) for this past December: \$35,327,666
- Maximum allowable retention: $5\% \times \$35,327,666 = \$1,766,383$
- Policy allowable retention: $2.5\% \times \$35,327,666 = \$883,192$

The District Assessment changes every year and so will the allowable retention. It will likely take several years of transfers to reach the prescribed limit.

Summary

The proposed Contingency Fund would provide the District with flexibility and the ability to deal with emergent issues...a capability that most towns in the District have already established.

The final article in this series on District finances will cover the proposed Budget (Warrant Article 01).

10 - ConVal School Budget (Warrant Article 01)

The first (and most important) warrant article on your ballot determines the amount of expenses (costs) that the District can incur during the 2021-22 school year that begins July 1st.

There are some key points to keep in mind as you read the information provided below and decide to support the budget - or not.

Regardless of the vote on this Warrant Article:

- Certain costs to maintain Covid related safety measures will still be incurred
- Costs of employee health benefits and NH State retirement programs are going to increase by \$1.164 million ... see page 3
- The total operating budget is going to increase by at least \$0.715 million... see “Default”
- State revenues are going to decrease
- Local property taxes are going to increase

Approval of the budget will allow the District to implement three key new programs in our Covid driven “[Journey to Resiliency](#)” plan. The total cost of these programs: \$1.35 million.

Warrant Article 01: Operating Budget - School District-SB2

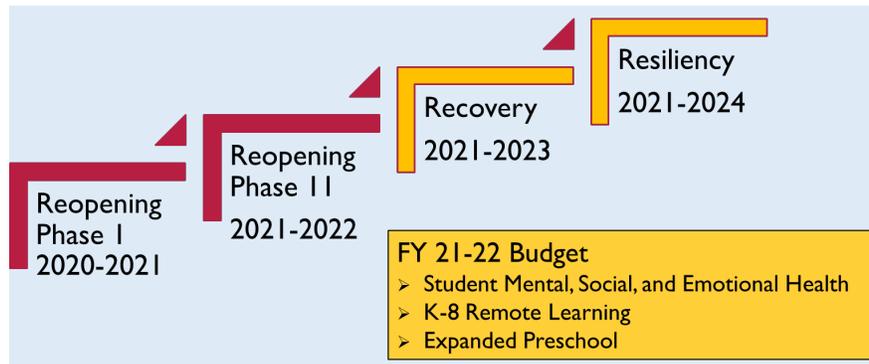
Shall the Contoocook Valley School District raise and appropriate as an operating budget, not including appropriations by special warrant articles and other appropriations voted separately, the amounts set forth on the budget posted with the warrant or as amended by vote of the first session, for the purposes set forth therein, totaling \$52,583,177? Should this article be defeated, the default budget shall be \$51,065,984 which is the same as last year, with certain adjustments required by previous action of the Contoocook Valley School District or by law; or the governing body may hold one special meeting, in accordance with RSA 40:13, X and XVI, to take up the issue of a revised operating budget only. (The ConVal School Board RECOMMENDS adoption of this article by a unanimous vote.)

If this Warrant Article is approved (with a simple majority across the District), the Gross Budget will be \$52.583 million. Voters will have “raised and appropriated” this amount. If the proposed budget is not approved, then the \$51.066M “Default” will be used. This would require a \$1,517,193 reduction in planned programs, staffing, and/or facilities related activities.

FY21-22 Budget Guidance

One of the key roles of the School Board is to provide the Superintendent “guidance” to be followed in the development of the proposed budget. The Board must balance multiple goals as it reviews, modifies, and presents the proposed budget to the voters for approval. In a normal year, those goals include education, cost, equity, student welfare and safety, amongst others. The COVID-19 epidemic raised the importance of some other challenges - including the need to address: remote learning capability, student mental and emotional health, and learning “losses” associated with remote learning and changes in venues throughout the year.

COVID has had an undeniable impact on our costs. The impact was felt last year, more significantly this year, and will likely be a factor for several more years as the District implements our multi-year “Journey to Resiliency”.



The Board is all very much aware of the financial stresses the pandemic has caused for many families in the District. Reductions in

certain state aid and the continuing shift of burden to property owners has not helped. Mandated increases in state retirement rates hit hard. More assistance from the state and federal government is “on the way” – and may help eventually. But we could not include this “aid” in our proposed budget.

As we finalized the budget and considered possible trade-offs, we felt that we must keep our students’ needs as the top priority. We made some tough decisions – the fact that our vote was not unanimous reflects the challenges associated with balancing conflicting goals.

We have included some new programs that will move us along the path to resiliency, recognized the growing presence of technology in the learning process, and scrubbed costs in many areas. Staff has volunteered to forego some of the benefits associated with their professional development as their way of contributing to our collective goals.

We ask that you keep this in mind as you review the proposed budget – and as you decide how to vote.

Budget Structure

Understanding the impact of your vote on the budget is important. That starts with a basic explanation of the structure of the school budget and how local property taxes will be impacted.

The **Gross Budget** amount is what you will vote on. That includes the **Operational Budget** (refer to page 4 for details).

ConVal Budget Structure		
Costs		Revenues
Operational Budget		Local, State, Federal
Other Programs		State Education Tax
Trust Funds		Trust Funds*
Gross Budget	less	Total Revenues
	equals	District Assessment

District Assessment is the difference between the **Gross Budget** and **Total Revenues**. This is the total amount of local property taxes that needs to be collected for the District by the 9 towns in the district.

This article will focus on the proposed Operational Budget for two reasons:

- It is essentially the only the amount the school district can manage and control.
- It determines levels of staffing, programs, facilities, transportation, supplies, etc.

Default Calculation – the “Default” is not actually a budget per se. It is a state prescribed calculation based on the current 20-21 “Approved” budget.

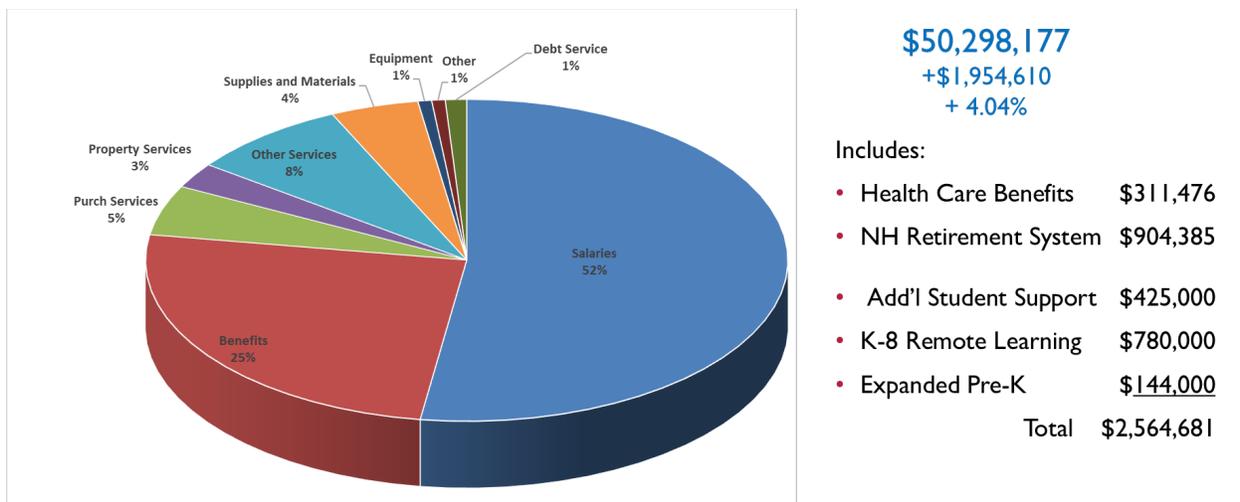
“One time” expenses in the current budget are deducted. Increases would include any contractual commitments and other mandated costs.

Everything else stays flat.

Operating Budget Comparison		
20-21 Approved	\$48,343,568	Base
21-22 Default	\$49,059,449	\$ 715,881
21-22 Proposed	\$50,298,177	\$1,954,609
Proposed V Default	\$1,238,728	

The 21-22 Default calculation for the Operating Budget is \$715,881 (1.5%) higher than the current year Operating Budget. This increase will happen regardless of the vote. From the voter and taxpayer perspective, the \$1,238,728 (2.5%) difference between the Proposed Budget and the Default is what matters since it determines which programs the District can offer.

Proposed FY21-22 Operating Budget Summary



Note several key points regarding the proposed \$50.298 million operating budget:

- Total proposed increase over current year: \$1.955 million (+4%)
- Salaries and Benefits account for more than 75% of the total costs
- Health care rate increases and other changes: \$311,476
- NH Retirement System (NHRS) employer contribution rates have increased for the coming two-year state budget. District cost increase: \$904,385
- Three new programs associated with our “Journey to Resiliency” account for \$1.349 million
- The net decrease of all other operating costs combined: -\$610,071 This required a significant amount of “scrubbing” and reductions
- The proposed budget does not include the \$847,899 cost increases associated with the proposed one-year extension of the current Collective Bargaining Agreement. That is covered by Warrant Article 02 (we discussed that in an earlier release of this series).

“Journey to Resiliency” - The major new programs being proposed include:

- Additional student support staff
 - Elementary School Counselor, Middle School Counselor, Elementary School ESP
Special Educator - increased Focus on Student Mental, Social, and Emotional Health
 - Technology Integration Specialist for Elementary Schools
- K-8 Competency Based Remote School
 - Remote learning option for all that will continue post pandemic
 - More flexible and personalized experience
- Expanded Pre-K
 - Scaled back expansion of current program for four-year-old children

The following table provides additional information on the Proposed, Default, and Approved 2020-21 Operating budgets. Line by line details of these budgets are available from the School Board website: <https://schoolboard.convalsd.net/budget/>

Description	2021-22 Operating Budget			2020-21
	Proposed	Default	Variance	Approved
100 Salaries	\$ 26,312,402	\$ 25,337,374	\$ (975,028)	\$ 25,111,246
200 Benefits	\$ 12,679,299	\$ 12,654,728	\$ (24,571)	\$ 11,515,056
300 Services	\$ 2,534,357	\$ 3,228,027	\$ 693,670	\$ 2,858,317
400 Property Services	\$ 1,276,388	\$ 828,046	\$ (448,342)	\$ 878,674
500 Other Services	\$ 4,034,891	\$ 4,109,785	\$ 74,894	\$ 4,211,945
600 Supplies & Materials	\$ 2,232,197	\$ 2,142,245	\$ (89,952)	\$ 2,184,825
700 Property Services	\$ 347,431	\$ 326,401	\$ (21,030)	\$ 603,554
800 Other Services	\$ 341,214	\$ 412,412	\$ 71,198	\$ 439,952
900 Debt Service	\$ 540,000	\$ 540,000	\$ -	\$ 540,000
Total Operational Budget	\$ 50,298,177	\$ 49,579,016	\$ (719,161)	\$ 48,343,568

Gross Operating Budget

Warrant Article 01 references the [Gross Budget](#), which includes the [Operating Budget](#) plus costs associated with [Other Programs](#) and any approved appropriations to [District Trust Funds](#).

[Other Programs](#) – are costs associated with several federal, state, and local “programs” and funds. Note that these costs are directly offset by equal revenues.

Program	Proposed Budget (21-22)				
	Costs	Total	Federal	State	Local
Title I & II	\$ 550,000	\$ 550,000	\$ 550,000	\$ -	\$ -
Other Federal	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ -
IDEA	\$ 600,000	\$ 600,000	\$ 600,000	\$ -	\$ -
Food Service/Child Nutrition	\$ 810,000	\$ 810,000	\$ 600,000	\$ 200,000	\$ 10,000
Special Revenue Fund	\$ 75,000	\$ 75,000		\$ -	\$ 75,000
Total	\$ 2,285,000	\$ 2,285,000	\$ 2,000,000	\$ 200,000	\$ 85,000

[District Trust Funds](#) – the ballot includes separate warrant articles (04-09) for various District “Trust funds”. These were discussed in a previous release in this series.

Total Revenues

Revenues come from local, state, and federal sources as shown in the adjoining table. Note that the estimate of Total Revenues is \$1,058, 418 (-6.66%) lower than FY20-21. Details of revenues are included page 10-7.

Local Sources – the \$916,000 decrease in revenue from local sources shown is partly the result of the exclusion of Trust Fund Appropriations from the Proposed Budget. The \$1,582,000 in the FY21 Budget includes \$670,000 for Trust Fund transfers.

Revenues				
	Approved FY21	Proposed FY22	V\$	V%
Local Sources	\$ 1,582,000	\$ 666,000	\$ (916,000)	-57.90%
State Sources	\$ 8,312,504	\$ 7,898,622	\$ (413,882)	-4.98%
Federal Sources	\$ 1,706,535	\$ 2,000,000	\$ 293,465	17.20%
State Education Tax	\$ 4,281,725	\$ 4,259,724	\$ (22,001)	-0.51%
Total Estimated Revenues	\$ 15,882,764	\$ 14,824,346	\$ (1,058,418)	-6.66%
Ex Trust Funds				
Local Sources	\$ 912,000	\$ 666,000	\$ (246,000)	-26.97%
Total Estimated Revenues	\$ 15,212,764	\$ 14,824,346	\$ (388,418)	-2.55%

An “apples-to apples” comparison would show a \$246,000 reduction in the estimated local revenues. This is driven by necessarily conservative estimates for Special Revenues and Child Nutrition.

State Sources - the -\$413,882 (-4.98%) reduction in estimated state revenue is driven by the expected reduction in our State Adequacy Grant. You may have read about this state-wide issue for school districts. NH calculations for adequacy is based on the student count in October – and numbers were down this past October due to COVID. We must budget for the lower amount. But we will also advocate for legislation to use the previous year student date to avoid the reduction. If that happens before tax bills are issued next December, the District Assessment would decrease accordingly.

District Assessment

District Assessment is the difference between the Gross Budget and Total Revenues. This sum is the total amount of local property taxes that needs to be collected for the District by the 9 towns in the district. This will increase regardless of the vote. Note that the Proposed/Default difference is 4%.

	Approved FY21	Proposed FY22	Default FY22
Operating Budget	\$ 48,343,568	\$ 50,298,177	\$ 49,059,449
Other Program Costs	\$ 2,221,535	\$ 2,285,000	\$ 2,006,535
subtotal	\$ 50,565,103	\$ 52,583,177	\$ 51,065,984
Trust Funds	\$ 670,000	Warrant Articles 04 through 09	
Gross Budget	\$ 51,235,103	\$ 52,583,177	\$ 51,065,984
Revenues	\$ 15,882,764	\$ 14,824,346	\$ 14,824,346
District Assessment	\$ 35,352,339	\$ 37,758,831	\$ 36,241,638
		Warrant Article I Approved	Warrant Article I Not Approved

School District Budget History

The table below shows the impact of several combinations of votes on the various Warrant Articles:

- The “Proposed” 2021-22 Budget includes costs associated with Warrant Article 01 only – and is shown in comparison to several years of previously approved budgets. All of the prior year budgets include approved voter approved Collective Bargaining Agreement (CBA) increases. The “Proposed” amount does not.
- The “All-In” 2021-22 Budget includes the Proposed Budget (Warrant Article 01) **plus** the proposed CBA extension (Warrant Article 02) **and** the \$700,000 proposed for District Trust Fund appropriations (Warrant Articles 04 through 09).

ConVal Budget History					
	All In	Proposed	Approved		
	2021-22	2021-22	2020-21	2019-20	2018-19
Operating Budget	\$ 51,146,076	\$ 50,298,177	\$ 48,343,568	\$ 46,815,658	\$ 45,065,863
V%	5.80%	4.04%	3.26%	3.88%	4.59%
Gross Budget	\$ 54,131,076	\$ 52,583,177	\$ 51,235,103	\$ 49,637,193	\$ 48,712,398
V%	5.65%	2.63%	3.22%	1.90%	7.51%
Revenues	\$ 15,524,346	\$ 14,824,346	\$ 15,882,764	\$ 16,504,233	\$ 16,930,155
V%	-2.26%	-6.66%	-3.77%	-2.52%	37.38%
District Assessment	\$ 38,606,730	\$ 37,758,831	\$ 35,352,339	\$ 33,132,960	\$ 31,782,243
V%	9.21%	6.81%	6.70%	4.25%	-3.65%

Summary

COVID-19 has had a significant impact on the District. Direct costs associated with personnel protection, cleaning, and remote learning are not the only costs we must address in the proposed budget. It is widely recognized that the mental, social, and emotional health of students across the state and the country has been impacted by the pandemic. Remote learning is the new norm. Our proposed budget allows us to make that more effective and more tailored to the students that choose that option after the COVID emergency is declared over.

The ConVal School Board recognizes that the proposed budget will increase the local education portion of your property taxes. We all would prefer that they go down – we’re taxpayers too. The difficulty associated between choosing to support our students or to minimize property taxes is reflected in the split vote of the Board on the proposed budget – but we voted to support the students by a significant 2:1 margin.

Finally, we’re aware that additional federal and/or state funding is “in the works” and that may allow us to reduce the impact before taxes are calculated at the end of the year.

We encourage you to vote “YES” and support the proposed budget.

Revenue Code	Description	Proposed 2021-2022	Approved 2020-2021	Difference Increase (Decrease)	Percent
1000	Revenue from Local Sources				
	Regular Ed, Preschool, Sped Tuition	\$ 115,000	\$ 115,000	\$ -	0.00%
	Voc Ed Tuition	\$ 16,000	\$ 16,000	\$ -	0.00%
	Total Tuition	\$ 131,000	\$ 131,000	\$ -	0.00%
	Unreserved Fund Balance	\$ 250,000	\$ 250,000	\$ -	0.00%
	Transfer to Building Capital Reserve	\$ -	\$ 550,000	\$ (550,000)	-100.00%
	Transfer to Sped Trust Fund	\$ -	\$ -	\$ -	0.00%
	Transfer to Health Maintenance Trust Fund	\$ -	\$ 25,000	\$ (25,000)	-100.00%
	Transfer to Athletic Trust	\$ -	\$ 25,000	\$ (25,000)	-100.00%
	Transfer to Equipment Trust	\$ -	\$ -	\$ -	0.00%
	Transfer to Energy Trust	\$ -	\$ 70,000	\$ (70,000)	-100.00%
	Earned Interest	\$ 10,000	\$ 31,000	\$ (21,000)	-67.74%
	Special Revenue Fund	\$ 75,000	\$ 200,000	\$ (125,000)	-62.50%
	Child Nutrition	\$ 200,000	\$ 300,000	\$ (100,000)	-33.33%
	Total Local Sources	\$ 666,000	\$ 1,582,000	\$ (916,000)	-57.90%
3000	Revenue from State Sources				
	Adequacy Grant	\$ 7,725,622	\$ 8,062,504	\$ (336,882)	-4.18%
	Special Education Aid	\$ 38,000	\$ 110,000	\$ (72,000)	-65.45%
	Vocational Aid	\$ 25,000	\$ 25,000	\$ -	0.00%
	Child Nutrition	\$ 10,000	\$ 15,000	\$ (5,000)	-33.33%
	Medicaid	\$ 100,000	\$ 100,000	\$ -	0.00%
	Total State Sources	\$ 7,898,622	\$ 8,312,504	\$ (413,882)	-4.98%
4000	Revenue from Federal Sources				
	All Special Ed	\$ 600,000	\$ 475,000	\$ 125,000	26.32%
	Title I & II	\$ 550,000	\$ 403,535	\$ 146,465	36.30%
	Child Nutrition	\$ 600,000	\$ 585,000	\$ 15,000	2.56%
	Other Federal Sources	\$ 250,000	\$ 243,000	\$ 7,000	2.88%
	Total Federal Sources	\$ 2,000,000	\$ 1,706,535	\$ 293,465	17.20%
5000	Revenue from Other Sources				
	Bond Sales	\$ -	\$ -	\$ -	0.00%
	Total Other Sources	\$ -	\$ -	\$ -	0.00%
	State Education Tax	\$ 4,259,724	\$ 4,281,725	\$ (22,001)	-0.51%
	TOTAL ESTIMATED REVENUES	\$ 14,824,346	\$ 15,882,764	\$ (1,058,418)	-6.66%
	PROPOSED GROSS BUDGET	\$ 52,583,177	\$ 51,235,103	\$ 1,348,075	2.63%
	Less Revenues	\$ 14,824,346	\$ 15,882,764	\$ (1,058,418)	
	DISTRICT ASSESSMENT	\$ 37,758,831	\$ 35,352,339	\$ 2,406,493	6.81%