



BUDGET COMMITTEE
Town of Hollis
Seven Monument Square
Hollis, New Hampshire 03049
Tel. 465-2209 Fax. 465-3701

Minutes of September 8, 2015

Meeting was held in the Community Room, Hollis Town Hall. The Budget Committee was called to order by Tom Gehan at 7:06 PM.

Members present: Tom Gehan, Susan Benz, Chris Hyde, Tom Jambard, David Sacks –School Board Rep, Frank Cadwell – Selectman, Mark LeDoux – Selectman (arrived 7:42 PM), Deb Padykula – Finance Officer

Pledge of Allegiance was recited.

Frank C. excused himself to attend the Board of Selectman's meeting being held concurrently in another room.

Approval of minutes:

Susan B. moved to accept the minutes of 6/9/15 as written. David S. seconded. Motion passed. Vote was 5-0-0. Minutes were accepted.

Public Input: No members of the public were present.

Town Report:

Tom G. asked Deb P. about a potential change in the electricity vendor. Deb P. stated that an agreement had been signed with Constellation Energy for all town buildings. While there may be a slight increase over this year's rates, they were more competitive than rates quoted by Eversource.

Deb P. reviewed the town expenditure report through August and stated that the budget is on track with 66% being spent so far. She highlighted that the biggest item of concern is DPW overtime which is \$14K over budget as a result of the snow storms in early 2015. The town anticipates receiving ~\$27K from the state to offset this overage.

Tom G. commented that police, fire and communications were already at or just over 100% of their respective overtime budgets. Deb P. replied that the police department has had 2 open positions for the majority of 2015 (they were recently filled) and the communications department currently has 2 employees on short term disability.

Chris H. asked about the contingency fund expenditures. Deb P. replied that \$9K was for pipeline expenses that carried over from 2014 and \$10K was for the cost of removing a floating dock from Pennichuck Pond as required by the state.

Tom J. asked if the reduced cost of petroleum would be reflected in lower road rebuilding costs. Deb P. replied that it would but exact figures were not yet available.

Deb P. stated that a \$23K surplus is anticipated in the workers' compensation line item as a result of a holiday credit from Primex. There are also surpluses in health insurance and NH Retirement as a result of the open police positions. She stated that the Board of Selectmen voted to spend some of this surplus to pave a portion of the Lawrence Barn parking lot that runs along Depot Rd.

Deb P. stated that she is waiting on a second set of draft financial statements from the 2014 audit; however the unassigned fund balance as of December 31, 2014 was \$2.7M.

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School Report:

David S. stated that the next school board meeting is scheduled to occur the following evening but that going forward it will precede the budget committee meetings. David S. said there is no update on full day kindergarten but it is on the agenda. Tom G. asked that the school board let BudCom know as soon as possible if it intends to ask for relief from guidance.

Chris H. asked for an unofficial estimate of school population. David S. replied that the entire population including the Co-op is 2,400. Tom G. stated that there are 626 students in the Hollis School District, which is one student above what was forecasted. There was a discussion of how to predict future student population.

Town Report Review:

Frank C. returned to the BudCom meeting at 7:30 PM. Tom G. asked for clarification regarding the dock removal from Pennichuck Pond. Frank C. replied that it was on town land which is why the town was responsible for paying for its removal.

Tom G. reviewed what had been discussed regarding the town budget items.

Education Reform Committee:

Tom G. stated that the forensic accountant just received financial statements from the state and is beginning to reconcile discrepancies between the state and town assessment figures. Tom G. stated that a report is due to the selectmen in November and the only outstanding item is the financials. Meeting minutes are posted on the town website.

New Business:

Tom G. stated that Mike Harris has agreed to represent the BudCom on the SAU Budget Subcommittee. There was a discussion regarding the appropriate level of unassigned fund balance. In 2012 the Selectmen voted that the unassigned fund balance would equal a minimum of 5% of the town's aggregate budget liability. This amounts to ~\$1.5M and the fund balance is approaching ~\$3M.

Frank C. agreed that the balance was high and that tax relief or capital improvement projects should be discussed.

Mark L. stated that the fund balance was instrumental in the bond refinancing and increasing the town's bond rating to AA2, which is the highest rating attainable due to the town's size. Mark L. stated that there are \$600K in utility abatements pending and a \$300K budget surplus, which brings the fund balance closer to \$2.4M. Mark L. stated that warrant articles for capital improvements could be presented at town meeting that would use the fund balance in lieu of affecting tax rates.

Chris H. clarified that even though using the fund balance would not affect the current tax rate, spending the fund balance is still spending taxpayer money. He also pointed out that there are unassigned fund balances held by the Hollis School District and the SAU.

Tom G. stated that the school unassigned fund balances are significantly smaller (~\$200K).

There was a discussion about combining all three fund balances to see if the credit rating could be raised beyond AA2. It was agreed that the town's unassigned fund balance should be monitored.

Preliminary FY16 Budget Guidance:

Town Budget:

Tom G. reviewed the assumptions made in the process of developing a budget guidance number.

Chris H. asked if the tax base increase of 1% is accurate. Deb P. confirmed that it is.

Mark L. stated that if Land Use Change Tax is taken into account the number is closer to 2%, but that land development increases demands on town services.

Tom G. stated that Mike H. asked that language be added regarding teacher compensation parity. There was a discussion on teacher hiring practices and benchmarks. Tom G. affirmed that the guidance should include verbiage stating that the BudCom supports compensation, benefits, and a work environment that enables the school district to hire and retain quality employees.

Tom G. stated that there will be a 1% increase in the budget that mirrors the expected increase in the tax base and that there have not been any requests for relief from guidance.

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Deb P. stated that NH Retirement increased its rate in July 2015 so 2016 will reflect a full year of the higher rate.

Tom G. stated that the additional \$100K for road rebuilding will be added to the 2016 baseline proposal. The 2015 budget omitted this from the baseline guidance.

Mark L. suggested adding another \$100K to road rebuilding due to the low cost of asphalt.

Chris H. said this may be a good use for the fund balance and asked if there was a demand for additional road work.

Frank C. pointed out that you don't want to work on roads that don't yet need repair. He also stated that the DPW does not have the manpower to do much more and that additional staffing costs could negate potential savings.

Tom J. asked if it would make sense to hire outside contractors. There was a discussion about planning and borrowing to finance road improvements.

Chris H. stated that inflation is currently 0.83%.

Tom G. asked how much compensation increases annually due to employees reaching the next step on the pay scale.

Deb P. stated that only union employees get a 3% mandated increase and employees that are at the top of the scale get a longevity payment of \$100/year of service. It was estimated that approximately 25% of the budget is dedicated to compensation. Currently police, fire and communications are negotiating new union agreements and a new contract will be presented as a separate warrant article. Town hall employees are still within their current contract and will be part of the budget guidance.

Mark L. stated that the net effective interest rate on outstanding debt went from 3.5% to 1.7%. Tom G. stated that debt being serviced will decrease by \$29K to \$868K.

Tom G. reviewed that the preliminary guidance includes \$100K for road rebuilding in the base amount, takes a 1% increase of \$81.5K, and then adds back items outside of guidance to arrive at a total preliminary budget guidance of \$9,468,741.

Susan B. moved to approve preliminary guidance for the Town of Hollis budget in the sum of \$9,468,741.

Chris H. seconded.

All voted in favor. Motion was approved 6-0-0.

There was a discussion of the upcoming meeting schedule and when the budget review process would commence. A tentative date of March 12th was suggested for the 2016 annual town meeting.

Mark L. updated the BudCom on the status of collective bargaining negotiations with police, fire, and communications.

Motion to adjourn was made by Susan B. David S. seconded. Meeting was adjourned at 9:15 PM.

Respectfully submitted,

Christina Winsor, Tax Collector