



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

**Minutes of October 13, 2015**

Meeting was held in the Community Room, Hollis Town Hall. The Budget Committee was called to order by Tom Gehan at 7:00 PM.

Members present: Susan Benz, Frank Cadwell – Selectman, Andy Corey – SAU Superintendent, Tom Gehan, Mike Harris, Tom Jambard, Mark LeDoux – Selectman, Deb Padykula – Finance Officer, David Sacks – School Board Rep, Kelly Seeley – SAU Business Administrator, Frank Whittemore

Pledge of Allegiance was recited.

Approval of minutes:

Frank W. moved to accept the minutes of 9/8/15 as written. Mike H. seconded. Motion passed. Vote was 6-0-1. Frank W. abstained. Minutes were accepted.

Budget Cycle Calendar:

Tom G. stated that the public town budget hearing was moved to February 2<sup>nd</sup> and the public school budget hearing was moved to February 3<sup>rd</sup> to allow enough time before the March 10<sup>th</sup> election day. A potential conflict with the school board meeting was discussed. The town meeting is set to be on Saturday, March 12, 2016 at HBHS. The Hollis School Board and Hollis Brookline Coop meeting dates have not yet been set.

Public Input: No members of the public were present.

Town Report:

Deb P. stated the budget is on track through September 30<sup>th</sup> and the overages in overtime continue to be monitored. The overages are due to ongoing open positions and employees out on disability.

Tom G. asked about the school resource officer percentage and Deb P. explained that it is a semiannual billing so the second half has not yet been received.

Tom J. asked about the highway block grant and Deb P. explained the town had not yet received the 3<sup>rd</sup> quarter revenue from the state.

Tom J. asked about the price of asphalt. Frank C. confirmed that the prices have gone down due to the drop in oil prices.

Susan B. asked if the town anticipated spending the entire road improvement account by the end of the year and Deb P. confirmed yes.

Tom G. asked about the projected year end unassigned fund balance. Deb P. stated that ~\$300K would be added this year. Moodys recommends the fund balance be 15-30% of gross revenue which is \$1.5M-\$3.0M.

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Tom G. asked Frank C. if the unassigned fund balance policies would change. Frank C. replied that the balance is at or slightly higher than the desired level and that the selectmen were looking at funding projects using the fund instead of raising additional revenue.

Deb P. stated that preliminary 2016 health insurance estimates are expected to be 18%-20% higher, which could increase the budget by \$200K. The rates are based on the town's historical claims. Deb P. explained that as a large employer with over 50 employees, the Affordable Care Act requires the town to be considered as an individual pool, which is very similar to being self-insured.

Tom G. asked about the implication of cadillac plans under the Affordable Care Act. Deb P. replied that it would become an issue in 2018 but it has not yet been determined how the town will be asked to pay the additional tax. She said that the Blue Choice and Lumenos plans will be affected because the premiums and HSA contributions made by the town are included in the plan's value.

Tom G. asked about ongoing collective bargaining negotiations. Deb P. replied that caps have been placed in the agreements that would shift some of the health plan tax burden back to the employees.

Deb P. anticipates the tax rate will be set in early November. The valuation increased 0.5% over 2014.

Frank C. said union negotiations are ongoing. The department heads are currently being interviewed for 2016 CIP requests. So far the fire department requested a new roof for ~\$60K, the recreation committee requested \$125K for a new field, and the DPW requested a front loader and a replacement dump truck for \$400K combined. Frank C. reiterated that these are requests and nothing has been approved.

Mike H. asked if the DPW's request for new equipment was the result of ongoing road rebuilding efforts. Frank C. said that it was not.

### School Report:

David S. stated that the board approved full day kindergarten for the 2016-2017 school year which will have a net cost of \$87K (\$10K startup materials/\$77K staffing). The \$77K staffing cost would be recurring. Approximately 50 children are anticipated. Mike H. asked that this program change be presented as a separate warrant article for voter approval.

Discussion of 4 Lund Lane was deferred to next month's meeting.

Andy C. clarified that the staffing for full day kindergarten is coming from an existing staff member and that a new hire would cost ~\$145K.

David S. listed the 2015 number of students by grade. The year to year level has been consistent for the past three years.

There was a discussion about the merits of offering a full day kindergarten program.

### Final 2016 Budget Guidance – Town:

Tom G. stated that preliminary guidance assumed a 1% increase and asked if there was new information since last month's meeting.

Frank C. mentioned the health insurance rate increase.

Mark L. reviewed the ongoing union negotiations. He also stated that a \$200K increase in health insurance costs would increase the budget by 2%.

Tom G. suggested deferring final guidance to November when more concrete numbers would be available.

### Preliminary Budget Guidance - School:

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Tom G. reviewed how guidance was calculated.

Mike H. stated that full day kindergarten would be removed from guidance and presented as a separate warrant article for the gross \$145K amount.

There was a discussion about how many sections would be needed next year to determine staffing requirements as well as the projected enrollment in extended day kindergarten. David S. stated that, excluding kindergarten, next year is projected to go down by one class section. Other factors that could impact the budget were discussed such as capital improvements, health insurance costs, and expanding the science program at HUES.

Mike H. stated that BudCom should recommend a 1% increase for preliminary guidance.

Tom G. asked that any requests for relief from guidance be presented to BudCom by December.

Mike H. moved to approve preliminary guidance for the school district budget in the sum of \$8,702,059, which represents a 1% increase of \$86,159 over the 2015 budget. Susan B. seconded.

All voted in favor. Motion was approved 7-0-0.

### SAU Budget Subcommittee:

David S. presented the proposed administrative budget by category. This budget is for the administration of SAU41. The costs are apportioned separately from the Coop.

Mike H. stated that a position was converted from half time to almost full time and that some services were eliminated.

David S. noted the completion of a computer rollout.

Mark L. asked how many employees were covered under this budget. Kelly S. replied 14.

Tom G. asked if there are any areas of concern. David S. replied that he feels the snow removal line item should be increased to reflect the 2015 actual amount spent.

### SAU41 Expenditure Update:

Mike H. reported that the SAU spent more than was appropriated but also had more revenue than anticipated due to an error. The superintendent sought and received permission from the Board of Education to use the unanticipated revenue to cover the excess expenditures.

### New Pension Reporting – Town of Hollis:

Tom G. stated that the selectmen requested the BudCom provide a position regarding withdrawal from the NHRS. New reporting requirements will require the town to disclose the town's unfunded future pension liabilities in the financial reports. The town would need to pay NHRS \$5.7M to withdraw from the system.

Frank C. stated that the selectmen have not yet discussed the issue.

Mike H. stated that this would impact union negotiations and asked for an alternate retirement option. Deb P. replied that potentially the town could offer a 403b plan.

Mark L. stated that the transparency of the new GASB requirement is an effort to hold state elected officials more accountable. He asked BudCom for its opinion regarding withdrawal and setting up a town administered defined contribution plan in lieu of continuing to participate in the NHRS.

Mike H. asked if the town could withdraw without union approval. Mark L. replied that legal counsel would be consulted.

Tom G. stated that he would be in favor of learning more in light of the fact that several NH communities have withdrawn or are in the process of withdrawing. He cautioned that implementing and administering a defined benefit plan is a significant undertaking. He also stated that a defined benefit plan shifts the burden of portfolio performance from the NHRS to the employees.

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Mark L. stated that financing the \$5.7M over 30 years at 2% plus contributing to a 403b plan could potentially save the town \$300K annually.

The BudCom agreed that the issue should be explored further.

### Education Reform Committee:

Tom G. stated that the forensic accountant has not yet reconciled the value of the high school.

Deb P. stated that she has determined a tentative value of \$17M from available document sources and that there is also a 2008 appraisal estimating the value at \$22M.

Mark L. stated that after backing out state funds the depreciated value would be approximately \$6M, of which Hollis would owe Brookline \$3M to dissolve.

Mike H. said that would be subject to negotiation.

Tom G. clarified that the reform committee plans to take book value (60% principal/100% interest), use historical apportionment formulas to determine what each town paid, and then depreciate that number over a time period yet to be determined.

David S. asked about the middle school. Mike H. stated that it was originally the property of the Hollis School District but that since the Coop formed significant improvements have been made to the building.

David S. asked why Deb P. was providing the numbers when the town has hired a forensic accountant. Tom G. stated that the availability of the forensic accountant has been limited and the state has not been responsive to requests for information.

Motion to adjourn was made by Mike H. David S. seconded. Meeting was adjourned at 8:54 PM.

Respectfully submitted,

Christina Winsor, Tax Collector