



BUDGET COMMITTEE

Town of Hollis

Seven Monument Square
Hollis, New Hampshire 03049
Tel. 465-2209 FAX 465-3701

Minutes of January 25, 2008

Meeting was held in the Community Room, Hollis Town Hall and was called to order by Chairman, Mike Harris at 7:30 am.

Members present: Mike Harris, Chairman; Chris Hyde, Vice Chairman; Melinda Willis, Selectmen Representative; Bill Beauregard, School Board Representative; Tom Jambard, Bob Labednick, Don Ryder.

Also present: Rich Pike, Superintendent; Dawna Duhamel, Business Administrator

Budget Guideline

Chris explains that during the previous meeting, Melinda realized that the expendable trust figures might not be treated appropriately within the guidance formula. Melinda explains that special revenue and food service is typically added to the operating budget to give a total approved budget. To create a baseline for the % increase, these same items are subtracted out, the multiplier applied, then these items are added back in with new figures to create the bottom line. The BudCom feels that these items should not be affected by the multiplier.

With the expendable trust, \$97,000 was added in at the top of the formula, yet not subtracted out or added back in. These funds are not monies to be raised in FY 2009. By adding this in at the top, it means that \$97,000 is now included in the total recommended, yet they are not applying the expenses that this will be used for in the operating budget.

Original Formula presented by School Board – 1/22/08	Guidance for FY 2009
FY 2008 Operating Budget from MS22	\$10,359,585
+ FY 2008 Expendable Trust	96,882
+ FY 2008 Special Revenue	122,041
+ FY 2008 Food Service	302,087
FY 2008 Approved Budget	\$10,880,595
- FY 2008 Special Revenue	122,041
- FY 2008 Food Service	302,087
- FY 2008 Debts Service	402,988
- FY 2008 Special Education – Non administrative	2,013,761
FY 2009 Budget Recommended Base	\$8,039,718
FY 2009 Guidance Percent Increase	1.8%
Guidance Increase to FY 2009 Budget	144,715
FY 2009 Base + Guidance Increase	\$8,184,433
+ FY 2009 Special Revenue	130,000
+ FY 2009 Food Service	325,000
+ FY 2009 Debt Service	397,431
+ FY 2009 Expendable Trust	0
+ FY 2009 Special Education – Non Administrative	2,074,460
Total Recommended	\$11,111,324
Total Requesting	10,842,632
Delta – Recommended to Requesting	\$268,691

Melinda states that because expenses out of the expendable trust do not go through the operating budget and are not raised in the same way, they should not be included in the guidance at all. It makes it more confusing. Or, if they want to show this, the funds should be included in all areas, the same way food service is handled. Chris stresses that these expenses must be tracked. Melinda argues that they don't need to be tracked within the guidance formula. They are already tracked through the MS-22. Dawna explains that this money is placed in a separate fund. In order not to raise taxes on this, they must also show offsetting revenue. Chris questions where the expenses for this trust get reported. Dawna indicates that she has a separate set of books for the

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expendable trust. Melinda comments that the State has changed their rules regarding how there are reported. This is much like a revolving fund. Chris asks if they have to approve the funding each year. Dawna indicates that they do need a warrant article approved each year to continue funding the account.

Bill adds that this is unanticipated revenue that actually funds this account. This is money that the district did not know was coming. They must be conservative with their estimated revenue. Tom asks if they would be able to transfer unexpended contingency funds to the trust at that end of the year should there be no unanticipated revenue to help fund it. Mike states that the contingency funds must be returned to the town to help offset taxes. However there have been times when the BudCom has allowed the school to use their contingency for special needs. Tom is still confused about this, as he was under the impression that this account was funded through the unexpended fund balance. Bill reads the warrant article from last year, which does indicate the unreserved fund balance surplus.

Mike comments that they cannot know what this amount will be at the March meeting. Rich explains that the language allows them to capture both unanticipated revenue and unexpended fund balance surplus. The wording does specify retaining “up to” a certain amount. Bill is surprised, as he thought this was only the unanticipated revenue. He did not expect this to also include contingency, as this was to go back to the town. Melinda stresses that the warrant article should be reworded to be specific to just the unanticipated revenue. Melinda feels that the cleanest way for the guidance would be to NOT include the expendable trust at all. This would be the least confusing. Either way it comes down to the same number. Mike agrees. Tom questions why they would include these figures in the guidance formula if it were not being raised by taxes. The formula is supposed to be giving them guidance on what they can have for a total budget. Melinda agrees. She feels these figures should be removed totally from the guidance or included totally. This cannot be done halfway, as was in the originally presented figures.

Rich comments that they must be able to explain all of this to the voters. It can be very confusing. Mike comments that the expendable trust does affect taxes, but not until the next year. Melinda points out that they are getting too many items that are being added in, then subtracted out in the guidance formula. She suggests in the future to have these lumped together as in/out items. This will simplify the process to the voters. Mike agrees. If the voters ask for details, the BudCom can explain. Mike asks what amount for the 2009 expendable trust should be added back in at the bottom of the formula. Bill states that there is \$82,000 listed for the school, yet there is more for the SAU. The total is \$107,000. The other districts help with the SAU. The \$97,000 for 2008 was for both trusts. Bill states that they need to create a model that can be reproduced in coming years. Melinda states that the new bottom line is \$11,119,816 with a new total request from the school of \$10,949,750. This gives a new delta of \$170,066.

	Guidance for FY 2009 – Including Expendable Trust	Guidance for FY 2009 – Excluding Expendable Trust
FY 2008 Operating Budget from MS22	\$10,359,585	\$10,359,585
+ FY 2008 Expendable Trust	96,882	0
+ FY 2008 Special Revenue	122,041	122,041
+ FY 2008 Food Service	302,087	302,087
FY 2008 Approved Budget	\$10,880,595	\$10,783,713
- FY 2008 Expendable Trust	96,882	0
- FY 2008 Special Revenue	122,041	122,041
- FY 2008 Food Service	302,087	302,087
- FY 2008 Debts Service	402,988	402,988
- FY 2008 Special Education – Non administrative	2,013,761	2,013,761
FY 2009 Budget Recommended Base	\$7,942,836	\$7,942,836
FY 2009 Guidance Percent Increase	1.8%	1.8%
Guidance Increase to FY 2009 Budget	142,971	142,971
FY 2009 Base + Guidance Increase	\$8,085,807	\$8,085,807
+ FY 2009 Special Revenue	130,000	130,000
+ FY 2009 Food Service	325,000	325,000
+ FY 2009 Debt Service	397,431	397,431
+ FY 2009 Expendable Trust	107,118	0
+ FY 2009 Special Education – Non Administrative	2,074,460	2,074,460
Total Recommended	\$11,119,816	\$11,012,698
Total Requesting	10,949,750	10,842,632
Delta – Recommended to Requesting	\$170,066	\$170,066

Budget Committee Minutes/January 25, 2008– Page 3 of 4
Draft

Mike asks if they are really asking for less than the guidance. Bill explains that this amount does not include some items and the cost items associated with the negotiated contracts are also not included. Chris asks if they could give a quick estimate of what 3% of the salaries might be. Mike cautions that they cannot discuss this, as it could be misconstrued.

Melinda suggests offering some leniency with the guidance, as the school board felt they had \$97,000 more to work with. It is not fair to throw this at them this late in the game. Mike feels that the guidance they gave originally should stay. Chris would rather have a compromise. Just because a mistake was made, doesn't mean the taxpayers should bear the burden. Rich suggests having a 1 time exclusion for some of the maintenance items. Chris comments that having a 33% increase in the tax rate over a 3 year period is too much for taxpayers to handle. He has a problem with the guidance, as it does not take tax rate impact into consideration. He regrets the lateness for this guidance change. Mike agrees that this should be the guidance, yet does not agree to change it at the last minute.

Mike feels that if they made a mistake, they should eat it. The purpose of the guidance is to allow the school to spend months creating a budget and it is not fair to change that at this point. Chris would rather go with a halfway mark and split the difference. Tom asks if there is anything more that can be done to reduce the budget. Bill states that they are still looking to reduce as much as possible, however their policy still stands that they will not reduce classroom sizes, programs or services. Mike points out that no matter how the BudCom looks at this, the school will be over the guidance. If the guidance is reduced, this will not change, it will only make the gap wider.

Melinda calculates that with the 1.8% corrected guidance, which includes the expendable trust throughout, there is an effective recommendation of slightly under 1% increase. If the BudCom agrees to keep this at the previous guidance, it gives an effective increase of 2.85%. Given the economy and cost of fuel these days, she feels this to be reasonable. Tom agrees that it would not be fair to go back now. While he does not agree with a 2.85% increase, they also need to be realistic. Chris would still like to compromise. Melinda calculates a 50% split between the 2 guidances. She includes the FY 2009 expendable trust of \$107,000 in the school board original figures.

	Guidance for FY 2009 – BudCom Corrected	Guidance for FY 2009 – School Board Original	Guidance for FY 2009 – Chris' Proposed 50% Compromise
FY 2008 Operating Budget from MS22	\$10,359,585	\$10,359,585	\$10,359,585
+ FY 2008 Expendable Trust	96,882	96,882	96,882
+ FY 2008 Special Revenue	122,041	122,041	122,041
+ FY 2008 Food Service	302,087	302,087	302,087
FY 2008 Approved Budget	\$10,880,595	\$10,880,595	\$10,880,595
- FY 2008 Expendable Trust	96,882	0	48,441
- FY 2008 Special Revenue	122,041	122,041	122,041
- FY 2008 Food Service	302,087	302,087	302,087
- FY 2008 Debts Service	402,988	402,988	402,988
- FY 2008 Special Education – Non administrative	2,013,761	2,013,761	2,013,761
FY 2009 Budget Recommended Base	\$7,942,836	\$8,039,718	\$7,991,277
FY 2009 Guidance Percent Increase	1.8%	1.8%	1.8%
Guidance Increase to FY 2009 Budget	142,971	144,715	143,843
FY 2009 Base + Guidance Increase	\$8,085,807	\$8,184,433	\$8,135,120
+ FY 2009 Special Revenue	130,000	130,000	130,000
+ FY 2009 Food Service	325,000	325,000	325,000
+ FY 2009 Debt Service	397,431	397,431	397,431
+ FY 2009 Expendable Trust	107,118	107,118	107,118
+ FY 2009 Special Education – Non Administrative	2,074,460	2,074,460	2,074,460
Total Recommended	\$11,119,816	\$11,218,442	\$11,169,129
Total Requesting	10,949,750	10,949,750	10,949,750
Delta – Recommended to Requesting	\$170,066	\$268,692	\$219,379

Chris moves to alter the total recommended guidance to be \$11,169,129. Seconded by Tom.

Discussion on motion – Mike comments that they also need to consider all the warrant articles. Chris stresses that the guidance does not take the tax rate impact into consideration. Mike states that the impact of this motion will reduce the guidance by \$48,000 rather than \$97,000. He still does not see why they should change the guidance now. Chris points out that an error was made by the BudCom. They need to decide if the school board should be asked to meet the new

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guidance, stay with the incorrect guidance or meet in the middle.

Vote on motion: In Favor – Chris, Bob. Opposed – Mike, Tom, Don, Melinda. Abstains – Bill. Motion fails.

Tom comments that when all is said and done, they will hold a public hearing on this budget and no one will attend. Then there will be the district meeting in March that only those supporting the budget will attend. Chris cautions that if the town gets stuck with SB-2 there will be a default budget to contend with.

Melinda moves that the budget recommendation to the school includes shall include the expendable trust for 2009, for a total recommended of \$11,218,442. Seconded by Bill.

Discussion on motion – Melinda explains that this gets them back to where they began. It clarifies the process to include the expendable trust at the top and bottom. Chris asks if the warrant article will be modified to allow for only the unanticipated revenue or will it remain as it is currently. Melinda would like this to be just revenues. This is what she expected from last year. Mike agrees. He does not want them to touch the unexpended fund balance.

Vote on motion: In Favor – Melinda, Mike, Don, Tom, Bob. Opposed – Chris. Abstains – Bill. Motion passes.

Tom moves to adjourn. Seconded by Don. Motion unanimously approved.

Next Meeting will be held February 12, 2008 at 7:30 PM in the Community Room, Hollis Town Hall for the Public Hearing of the Town Budget

Meeting adjourned at 9:30 am.

Respectfully submitted,

Deborah Adams, Secretary