



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

**Minutes of September 9, 2014**

Meeting was held in the Community Room, Hollis Town Hall. The Budget Committee was called to order by Tom Gehan at 7:01 PM.

Members present: Tom Gehan, Mike Harris, Chris Hyde, Susan Benz, Frank Cadwell, Tom Jambard, Rosemary Mezzocchi – Hollis School Board Rep  
Others present: Deb Padykula – Finance Officer, Tom Bayrd – DPW, Matt Wakins – Nashua Regional Planning

Pledge of Allegiance was not recited because the flag was at the high school for primary voting.

Approval of minutes:

Tom J. moved to accept the minutes of 8/12/14 as written. Mike H. seconded. All voted in favor. None were opposed. Chris H. and Frank C. abstained. Motion carried 5-0-2.

Public Input:

No members of the public were present.

Town Report:

Deb P. gave a discussion of the financial reports for the period ending July 31. She stated that the legal line is over by \$13K due to unexpected expenditures related to the natural gas pipeline and personnel issues.

Tom G. asked for clarification regarding the September 20 special town meeting.

Frank C. stated that there are 14 warrant articles regarding the pipeline and no appropriations.

Susan B. asked if an estimated budget for legal fees associated with opposing the pipeline was available for the remainder of 2014. Deb P. said that they will request estimate from the firm.

Frank C. said that so far this year \$26K has been spent opposing the pipeline and that this event was unforeseen and therefore not considered in the budget. He also stated that the personnel and land use accounts are also higher than were anticipated.

Tom G. asked if there were any surplus accounts.

Deb P. stated that Health Insurance has a \$40K surplus due to new employees selecting single instead of family health plans and the switch to the high deductible plan. Retirement has a \$25K surplus due to an ongoing open firefighter position and also an employee has been out on extended leave. Workers Compensation has a \$21K risk pool surplus.

Tom G. asked if there was any risk regarding the Workers Compensation line regarding new claims.

Deb P. explained that the town pays for the entire year upfront and then mid-year it is determined if there are surplus funds and they are refunded to the town. Deb P. stated that there is also a Contingency line of \$70K.

Tom G. asked when the estimate from the legal firm will be available. Frank C. said a discussion to request an estimate took place at the previous evening's Selectmen's meeting. He stated that the \$26K only represents fees through July and it was what the Selectmen had anticipated spending for the entire year. He said that going forward the Board needed to work more closely with the attorneys to communicate the town's desired course of action and to ascertain costs before moving forward.

Deb P. said that the revenue budget is on track with 67% collected.

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Deb P. stated that the bond rate is at 3.03% and the financial advisors and attorneys need the Board of Selectmen to adopt a formal resolution giving them the authority to work with the town. Deb P. said there will be a public hearing at the next Selectmen's meeting on September 22 to adopt a resolution that authorizes the Selectmen to work with the advisors.

Tom H. asked for the current bond debt interest rates.

Deb P. said they vary between 3-4%. Deb P. stated that if the town were to refinance at a rate of 3% it would save approximately \$286K.

Deb P. announced that Barbara Kowalski had resigned as tax collector and that the town has hired Christina Winsor.

### School Report:

Rosemary M. stated that the school board is still planning to restructure the elementary administration and establish a recognition system for teachers. Tom G. asked if it would be necessary to have a nonpublic session regarding class sizes and also discuss a specific class section that is being tracked. Chris H. stated that he would like to have a discussion on the rationale behind class sizes to determine if students are making progress. Tom G. requested that this rationale be presented by the superintendent or other school board representative at the next budget committee meeting if the school board would like to have a nonpublic session.

### New Business:

#### Town Roads:

Matt W. explained that the goal of the Road Service Management System software is to determine how to best maintain roads upfront to extend the life of the road. The software assigns cost effective repairs and also designates which roads need to be rebuilt. This analysis applies only to paved roads. Dirt roads are graded as needed.

Matt W. stated that each road is assigned a traffic/importance factor based on traffic volumes and that he had personally evaluated each road looking for distresses. Chris H. asked how the traffic volume is determined. Matt W. said it is based on NH DOT road classifications. Matt W. reviewed the process and stated that Tom B. and Troy Brown verified the importance/traffic determinations.

Tom B. was involved in developing a repair strategy for each road. Repairs are timed so that they do not all occur at the same time.

Matt W. presented a budget for the next 10 years of annual repair costs and the proposed repairs for each year. Chris H. asked if the second 5 years have lower costs because all roads have been repaired or is it because the condition of roads 5 years out is unknown. Matt W. replied that the estimates for the first 5 years are more reliable. Chris H. asked if maintenance repairs to extend the life of a road saved the town money or does it make sense to rebuild the road sooner. Matt W. replied that maintenance will extend the life of a road but eventually all roads need to be rebuilt.

Chris H. asked if road zoning ordinances are sufficient to ensure that new roads and rebuilt roads address issues that cause roads to deteriorate more quickly (i.e. water, ledge). Tom B. stated that the past 2 rebuilds have improved drainage. Mike H. asked if the repair budget included costs associated with drainage improvements. Tom B. replied that it did not.

Chris H. asked if the budget was in real dollars. Matt W. said the report assumes 4.25% inflation.

Mike H. asked what basis was used for the actual repair costs. Matt W. stated the costs are default costs that come from a team at UNH and should be within 10% of what the town would actually pay. Mike H.

asked Tom B. if the costs were reasonable. Tom B. confirmed that they were.

Chris H. asked if it would be less expensive to borrow and do all the repairs up front instead of spreading them out over 10 years. Frank C. said that repairs in later years aren't needed now and Tom B. stated that if unneeded repairs were done too soon they would need to be done again anyway.

Tom G. reviewed the plan and stated the first 3 years are primarily focused on catching up on delayed road repairs and that the remaining years focus on road maintenance. Mike H. stated that this analysis will be extremely helpful in determining what to budget for roads going forward.

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Tom G. asked how often this type of analysis should be performed. Matt W. replied every 3 years. Matt W. also stated that this analysis is funded by the dues Hollis pays to be a member of the Nashua Regional Commission. Matt W. will provide the committee with an extract of the analysis' supporting data.

### Budget Guidance:

#### Town Budget:

Tom G. reviewed the assumptions made in the process of developing a budget guidance number. Mike H. asked if the tax base would increase by 1% for 2015. Deb P. stated that the rate will not be available until mid-October. Mike H. stated that ongoing employment costs should be considered. Tom J. asked about one-time expenditures. Tom G. stated non-recurring expenditures would be removed from the budget. Chris H. stated that the town should maximize the CIP to make improvements most efficiently. Tom J. asked about the plans for the DPW building. Frank C. stated that the new DPW director thinks the building can be renovated but no repairs are scheduled for this year. Mike H. asked about the fund balance. Deb P. stated it is currently \$2.3M. Mike H. asked if the town should spend some of it. Chris H. stated that it is there for contingency and should remain untouched. Tom G. stated that excess funds over \$2.3M give the Selectman discretion to lower taxes or fund a warrant article.

Chris H. proposed adding a statement to the biases that proposes to keep the budget constant to avoid swings in the tax rate. Frank C. asked how the committee factors in the town, school district, and coop budgets when trying to keep the tax rate flat. Tom G. said it is initially done in aggregate with the assumption that all articles pass. Frank C. asked if it made sense to compare the budgets to see if some projects should be delayed for the town in the interest of completing them for the school. Chris H. stated that past discussions have occurred and projects have been phased in between the town and school to keep expenditures flat. Tom G. added that this is the purpose of the Strategic Planning Committee. Tom J. asked if the Coop was involved. Mike H. stated that the Coop began participating in these discussions last year. Tom G. stated that the committee would revisit the tax basis assumption in November. Tom G. also said a bias would be added that would "consider major new expenditures across all tax entities to avoid major property tax spikes".

#### School Budget:

Tom G. reviewed the assumptions made in the process of developing a budget guidance number. Tom J. stated that enrollment slightly increased but not enough to alter the assumption that enrollment is steady. Chris H. stated that 2 bonds were ending this year. Rosemary M. stated that the district would be observing the full day kindergarten program in Brookline before moving forward to implement full day kindergarten in Hollis. Mike H. asked Rosemary M. to find out if full day kindergarten would require new construction.

#### Preliminary FY15 Budget Guidance:

Tom G. stated that last year's guidance included \$100K for road rebuilding and a 1% increase for all other line items. Deb P. stated that negotiations would begin soon with the Police & Fire union as their contract expires March 2015. Tom G. said that union agreements are passed with a warrant article and are also excluded from the 1% increase assumption. Chris H. stated that inflation is reported to be 1.5%-1.7%. Tom G. asked to add \$100K to the road rebuilding budget for a total of \$200K and then keep all other applicable line items at a 1% increase. Tom G. said that he and Deb P. would put together the budget spreadsheet and it would be ready for a vote at next month's meeting.

Tom G. stated that next's month's agenda would include preliminary FY15 budget guidance and potentially a nonpublic session with the school board to discuss the rationale behind the class sections and any changes to administrative policies.

#### Old Business:

There was a discussion of the calculations being considered by the Apportionment Committee. Mike H. stated that the calculations are:

1. 100% ADM / 100% EV (current apportionment formula)
2. 100% ADM non bonded / 100% EV bonded (recommended by committee)

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3. 78% ADM / 22% EV – goal is to equalize the tax on average assessed home
4. 50% ADM / 50% EV – uses state aid as revenue prior to apportionment

Mike H. stated that there is minimal support for the first and fourth options.

Tom G. stated a concern with the calculations' treatment of retained tax / state aid received by Brookline.

Tom G. stated that the Coop is a relationship between towns and not individual homes. Tom G. presented an analysis of the costs shifted to Hollis over a 20 year period for each proposed calculation.

1. No effect.
2. Based on the Coop's current debt schedule \$2.3M would shift to Hollis. For every \$1M in new bonds, \$340K would shift to Hollis. This option is still cost effective for Hollis to remain in the Coop.
3. The treatment of retained tax skews the intent of this option to equalize the tax rates. The correct formula should be 85% ADM / 15% EV. Tom G. stated that Brookline's current equity in the Coop is \$7.3M. Tom G. stated that if the payoff amount were financed with a 20YR bond at 4% the total cost to the town would be \$10.6M. Tom G. stated that adopting the 78/22 formula would shift \$20M in costs to Hollis making it less cost effective to remain in the Coop.
4. This option would shift \$39M in costs to Hollis and is also less cost effective.

Chris H. asked Tom G. if he developed an ADM formula that equals the cost of dissolution. Tom G. replied that it is around 90/10. Tom G. said he omitted this formula from the presentation because he did not want to juxtapose staying in the Coop with dissolving the Coop. Tom G. stated that Hollis pays 41% more for the Coop yet only has 20% more students by virtue of the state funding laws regarding the state's adequate education grant and retained education tax.

There was a discussion about dissolving the coop. Mike H. said that the dysfunction of the Coop's governance was given as a reason for dissolution as the Apportionment Committee meeting. Mike H. stated the most people favor keeping the Coop. Chris H. said that some studies indicate that the ideal school size is 600-800 students, which is consistent with the number Hollis students. Mike H. said that when the Coop was formed the maximum school size was intended to be 800 students. Chris H. proposed providing the revised 85/15 formula that excludes the retained state tax to the apportionment committee for its next meeting.

Tom G. stated that residents need to be made aware that a \$75 increase in a tax bill translates to millions of dollars shifting from Hollis to Brookline over an extended period of time. Chris H. stated that while it is beneficial to have the high school in Hollis there are also additional costs incurred. Chris H. said that the contention between the towns either needs to be resolved so the Coop can move forward or the Coop should be resolved. Tom G. stated that Hollis can initiate dissolving the Coop without the Coop's approval. All that is required is state DOE approval that a feasible plan is in place upon dissolution.

Tom G. stated that the committee would be going into a non-public session and would adjourn immediately afterward.

### Non-Public Session:

Moved by Mike H. Seconded by Chris H. that the committee enter a non-public session in accordance with RSA 91-A: 3I(a) to discuss personnel, promotion, compensation of public employees. Voting in favor of the motion were Rosemary M, Tom J., Chris H. Tom G., Mike H., and Susan B. No one was opposed. The motion passed 6-0-0. The committee entered non-public session at 8:58 PM.

Respectfully submitted,

Christina Winsor, Tax Collector