



BUDGET COMMITTEE
Town of Hollis
Seven Monument Square
Hollis, New Hampshire 03049
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Minutes of October 8, 2013

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: Tom Gehan, Mike Harris, Chris Hyde, Peter Band, Susan Benz, Frank Whittemore, Tom Jambard, Rosemary Mezzocchi - Hollis School Board Rep.

Others present: Deb Padykula – Finance Officer

Phone Conference: Eric Horton – SAU41 Business Administrator

Pledge of Allegiance was said.

Approval of minutes:

Mike H. moved to accept the minutes of 9/10/13. Susan B. seconded. Motion passed unanimously, with Chris H., Frank W., Tom J., and Rosemary M. abstaining. Vote was 4-0-4. Minutes were accepted.

Town Report:

Deb P. stated that most budget lines are at approximately 75%, which is as expected. She pointed out expected surpluses in Workers Comp, the NH Retirement account, and Health Insurance. Police and Communications overtime budgets are overspent. However, there continues to be sufficient balance in the union salary lines to cover the overage. An additional overage will show up on the Unemployment Compensation line. Deb P. expects this line to be approximately \$12K overspent by years end. She recommended that this line be increased for 2014.

Deb P. stated that the 2012 Audit Report is available. The auditors will be attending the Board of Selectmen's meeting on Monday to review it.

Deb P. is expecting departmental budgets to be turned in on Friday, October 11. She is still awaiting final numbers for health insurance, workers comp., etc. Using 9% as an assumption, the cost increase for health insurance would be \$52K. Workers comp. is expected to increase, but the amount is unknown at this time. Peter B. gave an update on the business of the Board of Selectmen. No substantive changes from the previous month's report.

Chris H. mentioned some questions and responses regarding the Affordable Care Act that had circulated via email. The text is inserted here:

Question: I would like to understand, what is our current exposure on both the school side as well as town side of "Part time employees" and what are the weekly hours they work currently?

School Answer (Eric Horton): An employee is eligible for insurance under the HESSA agreement when they work 31 or more hours per week. Under the HEA agreement it is 30 hours. While HESSA is at 31 hours we do not have any employee who averages 30 hours per week over the school year and thus we pass the test for average hours worked over a set timeframe.

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Town Answer (Deb Padykula): Starting in 2015, there are 2 different penalties for Employers concerning health care coverage.

1. **Not Offering Coverage.** *If coverage is not offered to at least 95% of Full-Time Employees (and their dependents) and one Full-time employee obtains Exchange coverage and qualifies for a tax credit, the employer will owe a penalty.*

-All Town employees are eligible for health insurance coverage through the Town's policies. Employees that work 35 hours or more receive an Employer's contribution toward health benefits. Part-time employees and elected officials of the Town are responsible for 100% of the cost of premiums for such coverage. Because the Town offers "minimum value" health insurance to all employees, we are in compliance with the Affordable Care Act.

2. **Not Offering Affordable Coverage.** *If large employers offer "minimum value" coverage to at least 95% of Full-Time Employees, but the employee premium is "unaffordable" and a Full Time employee obtains Exchange coverage and qualifies for a tax credit, then the Employer will owe a penalty of \$3,000 per year for each such Full Time Employee.*

- This is the penalty that the Town could potentially have problems with. Employees who work 30-34 hours per week will have lower income levels and are responsible for paying the full premium toward health insurance. "Unaffordable" means that if the employee's contribution for the employer's lowest cost single (employee only) coverage exceeds 9.5% of the employee's household income.

The Town currently has approximately 8 part time employees that work 30 or more hours per week, that are not considered FT under the Town's policies and do not receive any employer contributions toward health insurance. Two of the 8 PT employees are retired individuals who work for us part-time and 3 of them are On-call firefighters, which is a special issue and there are many unanswered questions at this point for this type of employee.

Question: *I'd like to have the Town and particularly the School district advise of any planning or modeling they have done in this regard.*

School Answer (Eric Horton): Prior to open enrollment we reviewed the hours of all staff to understand the exposure within the district to additional health costs. We determined that based on the current agreements and staffing schedules the district was in compliance with PPACA. It's actually quite simple as there are not that many PT employees.

Town Answer (Deb Padykula): The Town will be looking at the employees who work 30-34 hours in more detail to figure out the total potential costs.

Question: *I'd like to know, given that our school year and contracts/coverages in the schools will presumably cover from July 2014 into at least June 2015, if that then implies that any new contract will have to consider this impact - either for cost and coverage, or to readjust what Part Time position means?*

School Answer (Eric Horton): As stated above, there is no impact based on our current staffing model. While you could adjust the hours down to 30 for HESSA, that may not be the best course of action. The classification of FT vs. PT has other implications besides health. The difference may result in additional leave, PD funds, LTD/ADD/LIFE, etc... having to be offered to the employee.

I recommend the school board insert the following language into the upcoming CBA's (language crafted and inserted into COOP CBA)

"If any regulations included in the federal Patient Protection and Affordable Care Act result in a significant change to either the District's cost of Staff Members' cost for health insurance, the District and/or the Association shall have the right to reopen negotiations on the issue of health insurance."

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Finally, there have been two mandatory informational requirements of PPACA over the past few months. The first was the provision to provide newly formatted Summary Benefit Coverage (SBC's) and this was done during open enrollment. The other notification occurred last week and was the notification of an employee's right to participate in the Federal Health Insurance Exchange. I imagine what you received from your employer is quite similar to what we provided.

Chris H. wanted to follow up with Deb P. for clarification on potential penalties owed because of the number of "part-time" employees, whose normal hours total between 30 and 34 per week. His question was, could the town avoid these penalties by offering an additional plan that would be considered "affordable", similar to what might be classified as a "catastrophic" type plan? Deb P. responded that the definition of affordable is inexact, but that it would have to be significantly lower than any of our current plans. Chris H. suggested that the town look into providing an additional offering which would meet the definition of affordable. There was some discussion of the difference between the town and the school district in the number of hours which constitutes "full-time". Peter B. asked Deb P. to add this discussion item to the agenda for the next Board of Selectmen's meeting.

School Update:

Rosemary M. mentioned that there should be a new school board member within the week. Also, both collective bargaining units are currently in negotiations. She also stated that the Superintendent search is underway. Chris H. asked whether a representative from the BudCom would be needed at the School Board budget sessions this year. Eric H. responded affirmatively, and that he would get the proposed meeting dates to them shortly.

Mike H. asked whether a salary for the new Superintendent had been determined. Eric H. stated that it has been kept the same, at \$130K (salary only, not including benefits).

Further discussion of meeting dates and locations ensued.

Public Input:

No members of the public were present.

New Business:

Final budget guidance – Town

Tom G. reviewed the preliminary guidance as determined at the September meeting. Chris H. asked whether there was an update on school enrollment data. Mike H. stated that he was told by the Superintendent that the numbers are fairly level. Tom G. mentioned that building and occupancy permit data indicates that there could be some upward pressure.

Tom G. also stated that if the proposed number of class sections deviates from the Ed. Spec. guidelines, the BudCom would like to be made aware of the fact in time to schedule a non-public review at the November meeting.

Peter B. stated that there will be no requests for additional staff by any of the departments this year.

Tom G. said that the two known items outside the budget are \$100K for road rebuilding and \$60K for NH Retirement. Mike H. mentioned that what was called Management Services will become the new contingency line, and will be voted on as a separate warrant article. In previous years, the amount has been \$70K.

Mike H. moved that the BudCom approve guidance for the Town of Hollis budget in the sum of \$9,206,263. This number includes an additional \$60K and \$100K, respectively, for NH Retirement and road rebuilding. It removes \$70K from the base, to be added back as a "contingency" warrant article. It reflects a 1% increase in all remaining base items with the exception of road maintenance. Chris H. seconded. All voted in favor. Motion was approved 8-0-0.

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Chris H. brought up the topic of increasing costs due to NH Retirement system and potential ways to fund it for the long term. Tom G. mentioned an upcoming meeting with a representative from NHRS at the HBMS on 10/17 at 6:00. The topic will be "defined benefit" vs "defined contribution" plans.

School

Discussion centered around the "Common Core" curriculum and what unknown costs there may be associated with that.

Tom G. stated that, based on enrollment numbers provided by the school principals, the number of class sections at each grade level should remain consistent with Ed Specs. It appeared that the additional class section approved last year would not be needed again.

Mike H. suggested going forward with the recommendation of a flat budget. Eric H. stated that he was aware of some areas where increases should be anticipated, such as health insurance costs and minor technology improvements. More information will be available at the November meeting.

Tom J. asked what happens to the contingency funds each year. Do they roll over from one year to the next? If so, the new budget should not need to include contingency. Tom J. also mentioned that the budgeted amount for water line repairs should be decreasing. His idea is that the guidance number may actually decrease from last year.

Mike H. made a motion that the BudCom offer preliminary school district guidance of a flat budget less one class section. Peter B. seconded. Tom J. wants to see in what areas money from last year has not been spent. Eric H. agreed to send out a variance analysis in time for the November meeting. All voted in favor. Motion was approved 8-0-0.

Meeting schedule-

Tom G. asked Rosemary M. to reconfirm with the selectmen and Troy Brown regarding possibly moving to a meeting date of the 1st Monday of the month.

Tom G. stated that there will be BudCom coverage for the Selectmen's budget meetings with the department heads on 10/28 and 11/4.

Motion to adjourn was made by Mike H. Tom J. seconded. Meeting was adjourned at 8:38 PM.

Respectfully submitted,

Barbara Kowalski, Tax Collector