

# BUDGET COMMITTEE

## Minutes of March 27, 2007

Meeting was held in the Community Room, Hollis Town Hall and was called to order by Secretary, Deborah Adams at 7:30 PM.

Members present: Michael Harris, Chairman; Chris Hyde, Vice Chairman; Melinda Willis, Selectmen's Representative; Bill Beauregard, School Board Representative; Scott Bartis, Tom Jambard, Bob Labednick, Mort Goulder; Deborah Adams, Secretary

Also present: Mark Johnson, Alternate Selectmen's Representative, Paul Calabria

### Election of Officers

Debbie asks for nominations for Chairman.

*Scott nominates Mike Harris as Chairman. Seconded by Bill.*

*Mort nominates Chris Hyde as Chairman. Seconded by Melinda.*

Chris explains that he would like the opportunity to serve as Chairman as he would like to make sure that the BudCom addresses certain items that he feels the BudCom should be involved or interested in. Bill comments that being the Chairman does not necessarily mean that this would happen. Mort points out that Nashua held the line with their budget, as did Amherst. Hollis is worse than any community in the area.

*The first round of paper ballot votes resulted in a tie, 4 votes for Mike and 4 votes for Chris.*

*The second round of paper ballot votes resulted in 5 votes for Mike and 3 votes for Chris. Mike Harris is elected as Chairman.*

Debbie asks for nominations for Vice Chairman.

*Tom nominates Chris Hyde as Vice Chairman. Seconded by Melinda. Motion unanimously approved. Chris Hyde is elected as Vice Chairman*

Debbie asks for nominations for Clerk.

*Tom nominates Scott Bartis as Clerk. Seconded by Mike. Motion unanimously approved. Scott Bartis is elected as Clerk.*

Melinda states that this has been a tough budget year, yet the Selectmen and BudCom worked well together through the process. There was much give and take. She is excited for the coming year and hopes that everyone can remain on the same page. It can be very hard to make a budget work. They wish to offer services, yet at the same time hold costs down. She reports that she has been elected as the Selectmen Chair and Mark Johnson is the Vice Chair. She will be the BudCom representative with Mark as the alternate. She feels they will work together as a good team.

### Coop Review Committee

Mike would like to begin in April the process of forming a committee to review the Coop. Melinda comments that she has heard from several people with an interest in serving on this committee. Mike mentions that he has also been contacted by several residents. He feels they need to publish something in the local newspapers that the BudCom is looking for volunteers to serve on this sub-committee. Melinda indicates that she will contact the newspapers about this. Mike states that the purpose of this will be to look at the future of education in Hollis from a financial aspect. Melinda questions the size and makeup of this group. Mike states that they will discuss this at the April meeting. He feels there should be diversity. They will also need to discuss a charge for the group, as well as a schedule. This can all be formalized at the April meeting. Scott asks if the members will be appointed by the Selectmen or if this will be a subcommittee of the BudCom. Mike feels it should be a BudCom subcommittee, yet independent from the BudCom. Melinda feels there should be 1 member from the BudCom as a representative, 1 Selectmen and various residents.

Melinda leaves at this time. Mark will continue as the Selectmen's Representative.

### Chris' Email list of concerns

Chris states he did email all members with a list of items he would like to address, however he realizes they will not be able to discuss them all tonight.

### Budget

*Guidance Proposals* - Chris stresses that the BudCom should accomplish many of these items during the next year. He feels they should work hard on the process of how the guidance is established and what drives this. The BudCom needs to do better than it has in the past. There are a variety of items involved. He would like to revisit his previous suggestion regarding the budget guidelines. He does not like using a strict CPI, or CPI + other items, which was done this year. With the cutout items, such as special education, the budget ends up going well beyond the CPI. Right now Hollis is at the highest full value tax rate ever. He stresses that the town and schools need guidance that makes sense, while also holding to a tax rate that is affordable.

*Forecasting & Prioritization* – Chris comments that the BudCom needs better data for this. He does not believe that residents would have voted for the school budget if they had known that enrollment predictions are showing such a decrease in population. Mike would prefer going back to the spreadsheet that predicts this data. Bill points out that the BudCom was given enrollment data that was more conservative than what was presented to the public. Chris states that he preferred not to present those other figures, as this was not an apples to apples comparison with the past projections. He stresses that they need a better way to do this. Mike states that they simply need the data. Bill reminds them that they did lose variable costs that were associated with those students by reducing teachers. Chris agrees. Chris comments that there are structural issues with budgets. As more employees are added and more are added to the retirement system, this only serves to include yet another driver to the budget. They need to pay attention to this.

*Program Reviews* – Chris points out that with an 18% increase in special education and more of an increase if transportation costs are included, there should not be a full cut-out when calculating the guidance. Mort comments that the Coop will be reducing their special education budget in the future. Chris stresses that these costs are out of control. Bill explains that next year they will be asking for the special education budget to be built from the bottom up. There are 133 special education students. Of these 133 students, x number of service hours are required based on each IEP. At some point they must rely on the IEP teams that are already walking a fine line with cost effectiveness. In more than one case, they must tell the parents to trust them. He is not sure how much more can be done. He stresses that this is the school board's job. Chris comments that with a growth rate of 18% or more, it will not hurt to probe into this further. Bill reiterates that this is the school board's function and they are already doing it. Scott cautions that sometimes the BudCom can get lost in the details and does not get anywhere with these types of discussions.

*Staff Structure Review* – Chris feels this should be discussed at some time during the next year.

*Time Line for Guidance* – Chris points out that the BudCom started the process too late this past budget year. Paul points out that it did not help when there was no quorum at the September meeting. Chris would also like to see more education to the public prior to the district meetings.

## Salaries and Benefits

*Elimination of Sanbornization* – Chris explains that this is a practice that has been used in the Town of Sanborn, where multi-year contracts are approved in the 1<sup>st</sup> year, then future years' increases are included within the budgets. The Town uses this method. The schools do not do this, as a vote must be made for each year of the contract.

*Negotiations* – Chris feels that a BudCom representative should assist with the negotiations. Debbie mentions that the Selectmen have already voted to invite a member of the 2008 BudCom to serve as a member of the 2008 negotiating team.

*State Retirement Issues* – Chris thanks Bill for forwarding this information to the BudCom. He feels the BudCom should draft a letter to the legislature on this issue.

## Meeting of Minds

*Combined Meeting of Boards* – Chris would like to have the BudCom meet with the Selectmen, Hollis School Board and Coop School Board to discuss the many common items; SAU budget items, ordering, contracting, internet, etc. Perhaps some items could be pooled to reduce costs. He would also like this to enable better long range planning to help stagger large items. Chris mentions that he spoke with Selectman, David Petry who indicated that he would be willing to meet jointly.

*Annual Meeting Timelines* – Chris feels this to be extremely important, especially given the SB-2 petitions that came in this year. He stresses that people do not like having these meeting spread out over 3 or more weeks. There needs to be more sense to the process. A Charter Commission form of Government may be in the best interest to the town. This is something that should be researched.

## Other Issues

*Legal Advise* – Chris recalls a few instances with overlapping use of Attorney Drescher, which actually impeded some items that should have been handled in a different way.

*Performance Based Reviews* – Chris would like to start thinking about how to handle performance based reviews as part of the negotiated contracts.

*Recreation Department Issues* – Chris mentions the recent emails that were sent out regarding how the Selectmen cut funding from the Recreation Department, yet did not inform them of the changes. He would like to see this portion of the budget become self funding. This would involve no tax impact and would allow them to do what they need to do. Their budget is currently not structured to allow for this. Paul explains that a special revenue account for the Recreation Commission would have to be established by vote at a town meeting, therefore this is not something that could be done for another year.

## Town Report

Paul states that there is not much to report at this time. He only has January figures available at this stage, yet will have reports out to the department heads by next week. There have been no surprises yet. Chris asks about the salt usage on roads. Paul is not sure. There have been some messy storms that have required this.

## School Report

Bill announces that there has been some reorganization within the school board and he will continue as the chairman. Jennifer McLoed is the vice chairman. The next meeting is scheduled for April 11<sup>th</sup>. A major topic for discussion at that meeting will be NECAP scores and analysis. He has requested that this be more internally focused. He would like to ascertain how many students are borderline. The district meeting approved establishing the Maintenance Expendable Trust. They have a proposal from Hutter Construction to perform an analysis of all aspects of the facilities. This will give them a summary of immediate, short term and long term needs. They would also like to have Granite State Plumbing and Heating look at the plumbing system. For \$7,800 they will have a full evaluation of all buildings and grounds.

These evaluations will give them a list of what items need preventative maintenance and set a schedule for the maintenance. They are also in the process of getting a new job description for the new maintenance position. Once this is done they will interview and fill the position as soon as possible. They are currently in the process of obtaining quotes for all the projects. Hutter Construction has asset maintenance software, similar to what is used in hospitals, that is very sophisticated. This software will help track all systems, preventative maintenance, schedules, end of life, etc.

Mike asks if the work will go out to bid. Bill explains that it will. Hutter Construction's staff is available for emergencies, yet all scheduled work will go out to bid. Mort feels this work should be handled by a staff person. Bill explains that this was removed from the budget during their restructuring. He assures the BudCom that there will still be at least 2 skilled workers on staff at the school. Mort reiterates that they are hiring consultants to do the work that should be handled by staff. Bill states that Hutter's estimates are always conservative and they do good work. Tom questions whether Hutter will also be bidding on work to be done if they are handling the evaluating. This seems like a fox watching the hen house. Bill explains that Hutter will act as the general contractor and will help them find qualified subcontractors. Scott points out that if they have Hutter as a resource, then there should be no need to have a Director of Maintenance. Bill states that this is a one time task. The reason Hutter became involved this past summer was because of the wall situation.

Bill states that both contracts (professional and support staff) are up for renegotiation this year. They have formed 2 subcommittees to begin this process. Chris questions what retirement system the support staff full time employees would be involved with and if it is the same as the teachers or fire department. Paul states that they would be included in Group 1. Mike comments that they would be in the same system, yet not at the same rate.

Scott questions the NECAP scores. He recalls the rationale given at the public hearing for the new math position was the NECAP scores, yet the number published in the paper showed that math scored best. If math was so good, why the need to still add this position. He stresses that this doesn't match the notion that they needed to do something with the math right away. It was stated that there was already a reading program in place, yet writing scored the lowest. Bill explains that they are in the 2<sup>nd</sup> year of implementing the writer's workshop. He stresses that there is still a need for math assistance. The principals have shown this need. He will bring it up for discussion at the April 11<sup>th</sup> school board meeting.

Scott comments that he was troubled with the fact that the superintendent and principals all sat quietly during the district meeting, while the school board members floundered with answering questions regarding the budget. He felt that this did not show support to the school board with the changes they were attempting to make. The superintendent should have said something. Bill comments that this year the budget process was more difficult and needed more administrative time than in previous years. Last year was straight forward, while this year the salaries and benefits had a hard impact on the budget. Mort comments that there were many more people in attendance at the district meeting this year. Mike states that the superintendent is an independent agent, although an employee of the SAU. He feels the school board should discuss with the superintendent what should or should not be said at meetings. Scott stresses that the public looks to the administration for information and answers, yet this did not happen this year. Tom agrees.

## **Chris' Email List – Comments**

Tom feels that Chris does have some good points. He feels the school board needs to evaluate the salary structure, especially in the area of step/grade increases. If the school board is negotiating a 3% or 4% raise, then the employee gets more with step increases, the actual salary increase is deceptive. Mort states that steps should be used for growth and position. If the employee does not move up, then they are doing something wrong. The total increase, including steps, should be tied to inflation. Mike states that when new teachers are hired, they are rewarded as they move up. He feels part of the problem is the total number of staff members, not just the salary and benefits. Tom would also like to look at transportation costs.

Mort wishes they could hold the line to inflation. He stresses that people with a conflict of interest should not change their mind after they are into the process. The town should stop the reappraisal of all homes in town and should stop the entire process. He argues that 5 years ago the town voted for a reappraisal, yet this time the selectmen snuck this expense within the budget. Mike agrees that they have lost control of the tax rate.

Bob indicates that his reasoning for running for election to the BudCom was to cut the tax rate. He comes from a different type of people, where appraisals were done, then the company was given x amount of money to work with and had to divide it however it would work best. He had to be cost effective and do more with less. He had people doing 3 or 4 jobs. Mike comments that these are productivity issues. He explains that they need to look at the level of service that has previously been approved by the voters, then look at the tax rate and try to balance them both. Bob stresses that they cannot have people in town paying taxes with no services. Mike comments that there are also many people in town that do not vote. Bob agrees. Mort argues that this is the reason the town needs SB-2. Mike points out that this year there was an effort to get more voters to the school district. This worked. He points out that the special interest groups seem to have no problem getting people involved.

Bob mentions that he has talked with many people who cannot afford to stay in town. He stresses that they must get the taxes under control. He is used to a different type of budget process. Mort points out that the people have the right to raise the budget, yet the BudCom is obligated to produce a tight budget. Chris states that there comes a time when the tax payer cannot continue paying. He questions which side should get the pain; the tax payer or the town and schools.

Bill believes that the school did have pain this year. They cut 6 positions and lowered the stipend on 1 position. Without doing this, they would not have been able to cover the 2<sup>nd</sup> year of the contract salaries and still meet the BudCom's guidance. Mike agrees that the school did good changes this year. There was a different approach this time and he agrees that it was painful. Bill mentions that when looking at where they are headed, next year's budget will be even worse. They have minimal or no control over 94% of the total budget. Mort stresses that they can influence salaries. Mike feels special education has gotten out of hand. Bill states that there is no magic solution, yet he will continue to look into this. He feels that the budget process should start now with department heads providing next year's needs by the end of this school year. This will give the principals all summer to look this over and start with a zero based budget. Mort states that a zero based budget starts at the bottom and goes up. They need to start at the top and go down.

Scott comments that every year the BudCom sets guidance for the budget, yet they keep removing items, which allows the budget to go up. He hears comments from people around town that they cannot afford these tax increases, yet at the meetings many voters are looking to increase the budget for certain items. Mike feels that there will be a different atmosphere at future meetings. Scott feels that the voters are making a statement when they keep approving these budgets. People do not realize the consequences to not voting.

Mark feels the guidance should be CPI + growth of tax assessing budget. This would produce a level funding formula. The guidance should not be complicated. Mike asks about growth of population. Mark states that they do not have accurate data on this. He stresses that if they do not base the budget on growth in valuation, they will end up with a shrinking budget. Chris mentions that the Office of Energy and Planning gives yearly estimates on population, which seems to be fairly accurate. Mark states that they need to use one or another. The tax collection is based on what is approved at the town meeting, not on the tax base. This should be the formula. Mark stresses that the retirement system is also out of control and is an unfunded mandate to the town. The only way to continue paying for retirement is to cut services or increase taxes. They must make a choice.

Mark stresses that they need to take ownership of this problem. The elected officials in the town need to correct this. It is not good to have the tax rate go up year after year. It was too easy in the past to go in different directions, pointing fingers at department heads, schools or unfunded mandates. They cannot create a financial hardship to tax payers and cannot continue blaming each other for the problems. The town, schools and BudCom need to work together and must be unified in this effort. If the selectmen cannot justify the expense to the BudCom, then they should not ask the town for it. This will take cooperation. There are political realities at hand and a significant SB-2 sentiment cropping up in town. This shows the taxpayers frustration. He stresses that SB-2 is a cure that is worse than the disease, yet the disease is very real. SB-2 proponents are correct about the eleventh hour decision making by the BudCom. SB-2 is a reality to both the BudCom and Selectmen.

Chris explains that with SB-2 it would accelerate the BudCom process. The deliberative session would be moved up into January, so the BudCom process would move into October. Mark points out that the voters at town meeting approve more than what the BudCom has recommended. 75% of money items not recommended by the BudCom are still approved by the voters. The selectmen have apparently given up on the BudCom and chose to let the voters make the decision. He stresses that they need to begin the budget process now and this process needs to change if they want to make a difference with the outcome.

Mark referred to statements made by Mort Goulder at the February 2007 public hearing on the school budget, in which Mort accused the school

board of "playing a shell game" and "playing three-card Monty" with its budget. These are code words for intentional deception. Such accusations should not be permitted unless there is actual evidence of deception. It is not respectful to the process. Mark stressed that the chairman should not permit this type of comment.

Mark feels they need to give guidance of a specific number that cannot be exceeded. The department heads always ask for more, then spend much time whittling away at this. This becomes a time consuming and frustrating process. They are looking at some significant cuts in service or very creative thinking. Mark acknowledges that the school board made some major changes in their budgeting this year. There was also the apportionment issue that was a very important decision for Hollis. Many people worked hard to save the Hollis taxpayers money this year. There are currently 3 selectmen that have served on the BudCom and 1 CEO of a public company. There is much talent and commitment available and they must all work together to solve this problem.

Bill comments that it was scary to hear about all the items within the town budget that the selectmen were not able to address this year. While the BudCom is not part of the process where budget cuts are being made, they do need to find more creative ways to fund any maintenance related items. Mort stresses that people must live within a budget at home, and the town and school must do the same. Chris states that he would really like to have a joint meeting of the various entities to discuss items like maintenance, where there may be opportunities to pool resources and costs. Mike states that maintenance is something that must be done and he does not like it when this is cut from the budget. The roads and buildings have to be maintained. This should not be cut. Chris stresses that there are structural issues regarding moving ahead with the benefit increases. This must be restructured. They need to find creative ways to keep staff in place.

Paul mentions that he attends quarterly meetings with other finance officers. There were 40-50 communities represented at the last meeting, with 80% anticipating decreased services in the next few years. This is not a new issue. He agrees that they need to find creative ways to fund maintenance at the town hall, the Farley Building and other areas in the town. Mike agrees with Bob's comments that when someone is challenged to do with less, they find a way.

Chris would like everyone to get familiar with the retirement issue by the next meeting. The State is headed towards a profound impact on municipal budgets. He feels communities need to start lobbying for a change. Mort questions why the employees are not paying for their retirement. Chris states that there is a minimal employee portion.

Mike will place the retirement funding issue on the next agenda. He would like to have 1 member report on this issue to the BudCom at that meeting. Bill states that House Bill 453 is coming up for a vote next week. There is not much time to take action. Mike states that the BudCom must be educated on the issue before they can take a position. Chris suggests having one of the State Representatives attend the next meeting. Bill points out that the next meeting is scheduled during school vacation week.

Mike would like to discuss giving earlier guidance to the town and school. Chris still wants to have a joint meeting to discuss creative ways to provide services. Tom points out that the BudCom cannot be selectmen and the selectmen cannot be BudCom. These are 2 distinct boards. Chris states that sometimes boards can come up with creative ideas when they meet together. Mike agrees with Tom that these two groups should keep their roles separate. Once the BudCom determines the guidance, then they can meet with the school board and selectmen to discuss it. Chris reiterates that he also wants to discuss common resources. Mike states that they have tried to do this for many years and have not been able to do so. Mort points out that there are 3 school districts that already have joint purchasing.

Mike would like to have the retirement issue, participation in negotiations, budget guidance and the new committee to review coop schools on the agenda for April. He feels that any BudCom member that serves on a negotiation team should be doing this as a citizen and not as a BudCom representative. This person will have input in the process, yet will not be obligated to support the outcome while on the BudCom. Chris refers to the Sanbornization that goes on with the town contract. This does not allow voters to make changes as the increases are built right into the budget. Tom states that if there is a 3 year contract, the voters must approve this each year. He questions how a vote at one town meeting can commit expenditures for future town meetings. Paul explains that the warrant article is worded with all 3 years. Mike states that the law allows this to be done 2 ways. Tom feels this should be approved each year. Chris agrees. If the town cuts back on their operating budget and has a separate article for the negotiation, then the voters can decide if they would prefer to cut back on salaries or cut back on the operating budget. The way this is being done now, the voters do not have this flexibility.

*Scott moves to adjourn. Seconded by Chris. Motion unanimously approved.*

**Next Meeting** will be held April 24, 2007 at 7:30 PM in the Community Room, Hollis Town Hall

Meeting adjourned at 9:15 PM.

Respectfully submitted,

Deborah Adams, Secretary