

# BUDGET COMMITTEE

## Minutes of April 24, 2007

Meeting was held in the Community Room, Hollis Town Hall and was called to order by Vice Chairman, Chris Hyde at 7:30 PM.

Members present: Chris Hyde, Vice Chairman; Bill Beaugard, School Board Representative; Tom Jambard, Bob Labednick, Mort Goulder; Deborah Adams, Secretary

Also present: Paul Calabria

### Town Report

Debbie reads an email sent from Selectman, Mark Johnson who was unable to attend the meeting this evening. The email describes recent storm events that hit the town, which may have an impact on the budget. Multiple flooding events occurred all over town, including one significant situation where an un-named dam located in Milford failed, resulting in considerable damage to private property on Toddy Brook Road, as well as damage to town infrastructure at culverts located at Ames Road and South Merrimack Road. Another situation involved trouble at the Hayden's Mill Pond Dam where the dam was in imminent danger of breaching, thus threatening private and public property downstream. There was also flooding on Wright Road. Assistance was given to dozens of residents throughout town, with basements being pumped out or sandbags provided.

All available police and fire personnel were on a mandatory shift of 12 hours on and 12 hours off. This lasted for several days. Tens of thousands of dollars were spent in overtime during this period. Hollis received tremendous response and support from both state and federal offices with no cost to the town, which allowed us to manage the emergency situation more effectively. The town has filed for reimbursement with FEMA for the following storm related expenses:

Road Systems	\$227,842
Protective Measures	7,996
Debris Removal	10,000
Water Control	33,591
Buildings and Equipment	218
<b>Total</b>	<b>\$279,647</b>

The reimbursement process can take several months, yet they are hopeful to recover most or all of these expenses. The Selectmen will also be asking Town Counsel for advice regarding possible cost recovery from the owners of the two private dams that resulted in added expense to the town. The town has also been providing guidance (not financial aid or legal assistance) to homeowners who experienced significant losses.

The email points out that if it were not for the controlled release of the Hayden Mill Pond Dam, as ordered by the State, based on the prediction of a catastrophic failure of the dam by the State Dam Safety Engineer, there would have been public and private losses in the millions of dollars. This experience has also pointed out issues within each department that should be considered in order to prepare for future events. Mark stresses that it is during extended emergency operations such as this where the impact of a lean budget is felt most.

Paul adds that they are still in the process of filing with FEMA. This takes time. The figures given by Mark are only the first, rough estimates of damage. The actual totals will be higher. Tom asks if FEMA will accept the town's figures. Paul indicates that they will and typically pay 80%. Mort does not see how this will affect the budget. The town has a budget and they need to hold the line on it. They need to stop the reassessment, which is a waste of \$50,000. Chris indicates that at this point they will need to wait and see what impact this emergency will have to the budget. He anticipates that this will affect the budget with extra road and culvert repairs that will be necessary. Paul points out that the storm has washed out the sides of roads, so there will also be some road shoulder repairs as well.

Paul reports that at this point, there are no surprises within the budget, except for the emergency situation from last week's flood.

### School Report

Bill states that the item of most interest is the maintenance restructuring. The school board has approved the job description and the job opening has been posted. They are currently looking for a good candidate. During this process there has also been one retirement and one resignation within the maintenance department. The head of maintenance at the Primary School will be retiring this year and another individual has been presented with a good job opportunity and will be leaving. These changes have nothing to do with the recent restructuring. Hutter Construction has been contracted to help fill the gap during the interim. Chris questions whether there will be any cost difference with paying Hutter with a contract vs. salary/benefits for the employees. Bill explains that there is no contract, just hourly rates for any needs that may come up. He is not sure if there will be any difference.

Bill announces that there has been a slight reduction in students at the Primary school. He has not spoken with the principal, so he does not know any specifics regarding which classes have been reduced. Four students have left. He believes some may have moved out of town. He mentions that the administration has started preliminary discussions regarding salaries.

Chris asks if there is a group inspecting the special education needs. Bill states that before the March town meetings, there was an evaluation of the special education program that was done, which involved various activities. They observed individual cases, interviewed parents, students, teachers and administration. They are currently awaiting the report. The initial verbal response was positive. Mort asks if there will be any way to obtain cost savings on this program. Bill states that this was an area that they specifically requested as part of this evaluation. They are looking for a better process, more electronic data vs. paper and better communication. They used a professional consulting service to head this committee. The evaluation was very thorough. At the last minute the Director of Administration received a request for parent participation. The SAU has asked for a system to obtain regular feedback from the parents. They need to hear about problems before it get out of hand. This is part of their new goal process.

### **Retirement Program Deficiencies**

Chris mentions that he spoke with State Representative Dick Drisko about this issue. Dick sent him a pack of information, which is also available on the State's website. This information describes the NH Retirement for employees (teachers, firefighters, police and others), which is funded by employee, local and state sources. The program has a large liability that may be up to a billion dollars, which must be addressed. There has been much feedback coming from municipalities to the legislature. The legislature had formed a work group to come up with recommendations to help remedy this liability. The group was comprised of employees, state legislators and some municipalities. The group unanimously recommended keeping the defined benefit plan, yet changing the statistical calculations to more accepted methods. There is a 30 year amortization to fund the gap, on top of other increases to contributions. There is an automatic 2% increase for COLA (cost of living adjustment), which they are actually anticipating will be challenged in court.

Mort asks if there will be any changes in the investments of these funds. Chris states that they are assuming a 8.5% rate of return. It does appear that they did some firing of previous investment advisors, yet some are still present. He has a problem with the Trustees appointing a Board of Directors that are not regular citizens, but instead are employees with a vested interest. Bill stresses that the BudCom needs to take a position on this, either for or against. He feels they need to understand the process, not necessarily the actual numbers. Chris explains that the House has already voted on this Bill and it is now at the Senate. He heard it will be a shoe-in at this level, unless someone can be influenced to stop the process. Bill suggests asking the Senators to slow down the process to allow time for towns to understand what is going on. Chris mentions that Bedford has already filed suit on this because there is not enough municipal representation. He stresses that this is a significant tax impact. Bill states that the school board will be meeting May 3<sup>rd</sup> with all 3 boards and he can discuss this with all of them at that time. Tom questions what recourse the town will have if this passes the Senate. Bill states that they would have to appeal to the Governor at that point. Chris stresses that should this Bill pass, it will essentially be codifying a broken system, and the unions are helping to push it through.

Mort asks who determines the employee contribution. Chris explains that there are 6 legislators, 6 union representatives and 2 municipal representatives. He feels that each individual town should have the option to make changes to this. He agrees with Bill and would like to appeal to Senator Gottesman that this is not in the best interest to the town. Bill mentions that Hollis could join Bedford or try rallying other towns to appeal. Tom recalls that the City of Dover wrote the Selectmen about this issue. Chris states that Dover did have a major situation when their Police Chief retired. Some of those issues have been corrected with the proposed Bill. Paul points out that this would take effect on July 1<sup>st</sup> if approved by the Governor. This could mean a \$100,000 increase in 2008. Chris stresses that this could mess up many communities.

Bill mentions that the Senate has a hearing on this issue scheduled for April 27<sup>th</sup>. He urges everyone to contact members of the Senate with their concerns. The NH School Board Committee is also urging people to do the same.

Chris stresses that employees are not contributing enough. He would love to see the State looking at other ways to fund this liability vs. having a defined annuity. Eventually they will all have no choice. There needs to be more representation on the Trustees and more oversight from municipalities. Tom points out that the town does pay dues to the NH Municipal Association (secretary's note - name has been changed to Local Government Center). He questions whether they would represent municipalities in this case or if they would be looking out for themselves. Bill suggests having Senator Gottesman attend the next Selectmen meeting to discuss our concerns. Tom agrees that it would be good to know his opinion on this issue.

Chris states that during his conversation with Dick Drisko, Dick explained that the representatives do not have time to review every Bill that comes forward, so they tend to go by the recommendations from the subcommittees. Chris stresses that they need to convey to the Selectmen that the BudCom supports appealing to Senator Gottesman for this Bill to be put on hold until they can amend it to have more employee contributions and more municipal representation.

*Tom moves to recommend meeting with the Board of Selectmen and Senator Gottesman to discuss the NH Retirement Program concerns. Seconded by Bill. Motion unanimously approved.*

### **Participation in Negotiations**

Debbie presents a letter to the BudCom from the previous Board of Selectmen requesting BudCom representation during the 2008 contract negotiations. Chris reads letter aloud.

Bill states that both professional and support staff negotiations will be done this year. He personally is unfamiliar with this process. He would like to have the BudCom in a supportive role for this. Chris points out that according to labor laws, once an agreement is reached, both parties are bound by this agreement. He questions whether a BudCom member would also be bound to support the agreement if that member were part of the negotiation.

Mort stresses that the BudCom must take a position before they start the negotiations. They must go into discussions with the union with a firm stand. Chris agrees that they must discuss the issues first. Mort states that they tried having a merit based system years ago, yet the good teachers resented this and did not want anyone reviewing their work. Workers in industry are already used to merit reviews, yet teachers are not used to this. The process did not work in Hollis therefore it was scrapped and raises were to be determined by the staff. Bill questions what criteria was to be used. Mort states that it was very subjective by the bosses and the teachers did not like this. Tom comments that it is tough when employees do not trust their superiors.

Chris is not suggesting this to be 100% merit based. Bill states that the committee will be looking at many different approaches to this. There may be a variety of incentives that can be offered that would be mutually beneficial. Tom asks if the teachers bring in outside resources to help them negotiate. Chris states that they can if they want to. Tom recalls the previous town negotiations where Selectman Don Ryder suggested hiring a professional negotiator. The selectmen typically do not have any experience doing this. Bill states that the teachers hired a professional labor attorney to assist them during the last negotiations. Mort stresses that they need to be firm and if they do not agree there will be no raises.

Chris feels that the contracts tend to favor the union. Tom asks when this process will begin. Bill states that this will start in the Fall. Part of the process will be to model what the impact will be to the budget. Mort feels that they need to look at the totality of the teachers' salaries, including sick, vacation, benefits, etc. Bill explains that the step/track process has been designed to assist the newer teachers just starting out. This allows them to raise higher in a faster time frame. Chris has the perception that the school board makes sure that the older teachers get to move up. Depending on where a person is on the ladder, they could potentially get up to a 10% increase in pay each year. The average increase was 6.7%. This level of increase is rare in the private industry and is way too much for the town. Bill states that the school board is away that they must balance the budget, yet the best indication of student performance is the teacher salary. Chris stresses that they need to motivate the teachers. They do not want to lose the good teachers. Tom adds that they also do not want to frustrate the good teachers who are getting the same increases as those that are not doing well. Bill states that they committee is looking into this and other ways to foster excellence and not praise substandard work.

Chris questions when the BudCom should begin offering guidance for the negotiations. Bill indicates that they will need a representative to be ready in September, although the BudCom could begin now with discussions on what advice to give the school board. Tom cautions that the BudCom cannot get too finite with their guidance, as this may begin their hands. Advice is okay, but they should not get too involved. Bill states that since the BudCom has been using the August CPI in the past, they should be able to give some guidance to the school board by September or October. This past year getting the guidance in November or December was difficult. They need to have this guidance early enough so that they can pass it on to the administration. Mort points out that the Coop model was less than the Hollis BudCom CPI figure. Bill points out that Mike (BudCom Chairman) always stresses that they have historically used the August CPI. This maintains consistency. It could help one year, yet hurt the next. Mort feels it should always be the same as the Coop.

Chris feels that the BudCom guidance has been bad for the past few years. He stresses that they must also take into consideration the declining enrollment. Bill states that there has been good arguments given regarding why this cannot be done on a yearly basis. The school has fixed costs and variable costs. When looking at the percentage of the budget that is fixed, 94% of this the school board has minimal or no ability to influence. He points out that there was some reduction in staff this year. They can only do this a little at a time, otherwise there will be unknown consequences. Chris states that there has been declining enrollment for 3 years now. Bill states that they would have gone lower if they had the ability to do so. Mort questions what they would do if they did not have as much money. Bill indicates that they would then have to make more reductions in staff. Tom agrees that they cannot do it all in one year. Bill points out that they also had maintenance items that had to be taken care of. They could not hit the operating budget with these additional expenses. Tom feels the new maintenance fund should help with those items.

Mort mentions how Lincoln Labs began retiring 5% of their work force each year, then hiring new employees to fill those positions. This allows them to get new staff each year, with lower salaries. They felt that the good workers would have no problem finding new jobs. Bill states that they do have a steady turn-over, yet there needs to be continuity for mentoring students and other staff members. Mort feels that if there is a 3% reduction in students, there should also be a 3% reduction in staff. Bill argues that this cannot always be done. Chris mentions that the guidance given to the school board last year did not take into consideration the declining enrollment. Bill stresses that they did their best and made some significant changes. Chris states that the past reductions in enrollment will begin to affect potential increases in the future. The guidance should be adjusted down based on enrollment decreases. Bill recalls the BudCom wanting to hold services level, yet this would cause declining services. Chris stresses that giving 6%-7% salary increases year in and year out is what is taking away from other services.

Paul explains that during the last negotiation process with the town, he made comparisons with 13 other communities. He looked at their salaries, vacation time, sick time, holiday pay. Adjustments were made at the time to bring Hollis more into conformity with other communities. While it may have cost more at that time, the town is now comparable and will not have to make huge concessions during the next negotiations. Melinda has already indicated that she would like to have Attorney Flagar review the contract before the selectmen sign anything.

Bill points out that during discussions about budgets and increases, there is no talk about the maintenance of assets in town. Culverts and bridges are very costly. He thinks they need to quantify the replacement value of these town assets. Mort states that it is the selectmen's job to set priorities. The BudCom needs to hold the line and it is up to the selectmen how to spend. Bill does not want to let the assets get run down. Mort states that people let things go in their own home if they do not have the money to repair it. Paul stresses that this only affects the individual, while the town budget affects the entire town. Bill states that the Budcom tends to give a guidance formula by deciding what goes in or out. He points out that it can be hard to build a budget this way. Chris asks if he would rather have the BudCom look at each line item. Bill feels the BudCom should give investment advice and assist with coming up with creative funding options. He feels there is a substantial liability with the town assets and these need to be quantified. Perhaps they need more volunteers to assist with this. Mort would like them to start with his road, as he feels it is graded way too often. Tom stresses that this is only his opinion. Other residents on this same road may want it to be graded more often.

### **Budget Guidance**

Bill suggests holding off on this discussion until the next meeting. They are missing a few members and the hour is getting late. All others agree.

### **Subcommittee to Review Financial Aspect of Hollis Schools**

Chris states that this is not just a Coop issue, but a Hollis student education issue. The question is, is it better to split the Coop or add the elementary into the Coop? Should they do a partial split or remain the same? They really need to look at preschool up to 12<sup>th</sup> grade. Bill thought this was to explore what the system would look like without the Coop. What is the cost to the Coop to educate Hollis students in grades 7-12? What is the cost of the buildings? Debbie recalls the purpose was to look at the financial implication of splitting the Coop or keeping the Coop.

Chris feels that they cannot look at just grades 7-12. This would not do service for planning in Hollis. Bill states that the trends in enrollment are not looking like they will need more elementary facilities. Mort points out that the Coop has said they need more space, yet the Coop BudCom did not allow for this. Tom feels the study committee should be looking at the finances of the Coop; now and in the future. They will also need information from the elementary schools. The focus should be on the Coop and can flow down from there. Bill feels this is too fuzzy. The immediate and tangible discussions should be on the Coop. An analysis of what it costs to run the Coop. They need to be proactive. They need to help the Coop school board. He would like to see the Coop school board, Coop BudCom and the Brookline finance committee included in this subcommittee, as this will affect them as well. He feels that with the recent vote on apportionment the idea of dissolving the Coop is not as prevalent, therefore they need to be looking into other ideas, such as expanding the Coop to include elementary.

Debbie stresses that they are not supposed to be discussing this issue in such detail at this point. The intent of this agenda item was to discuss the make-up of this subcommittee. Bill states that the Coop school board is already looking into this issue and may need some help.

Tom states that a letter from Hollis resident John Eresian is what prompted this. Chris agrees that it was a request from the selectmen for the BudCom to form this subcommittee. Mort states that the Coop BudCom is not interested in dissolving the Coop, yet if more space is needed it should be done in Brookline. Chris would also like them to look into the potential of restructuring the grade levels within the schools. Bill agrees.

Bill states that if they are not looking to dissolve the Coop, then they will need to look at the financial impact of building in Brookline. Tom stresses that this is only part of the issue. They need to look at the possibility of reducing the number of grades in the Coop. Brookline may actually qualify for more State aid if they also have their own middle school. This also needs to be reviewed. Bill states that Brookline needs to be reviewing these issues as well, which is why he believes they need to be involved too. Mort points out that Brookline pays their teachers less than Hollis or the Coop. Bill is confused about where they are going with this. Chris states that they will need to have a future discussion on the charter for this subcommittee. Tom would like to ask the Coop school board to explain what they are looking at. Bill suggests that when the BudCom and selectmen come up with a statement of what the object of this committee should be, then they should also approach the school board to assist.

Debbie explains that a town resident wrote a letter to the selectmen requesting that this subcommittee be formed. This person wanted to know what it would cost the Town of Hollis to remain in the Coop as it stands today and what it would cost to dissolve the Coop, in part or in whole. The selectmen agreed that this would be a good idea, therefore they asked the BudCom to form a committee to look at the financial aspect only. Nothing educational.

Bill states that they should also be discussing this with the Brookline finance committee, as a change of this sort would also impact Brookline. He stresses that they need to respect Brookline. Chris would like to discuss this further at the next meeting with a full BudCom. At that time they will also determine who will represent the BudCom. He would like to get some feedback from the selectmen. With the recent change in apportionment he would support having a Coop wide review committee and would also wish to include Brookline in the discussions.

### **School Budget Analysis Spreadsheet**

Bill mentions that he has not sent out the March budget figures yet. The SAU office has the new accounting software up and running, yet they recently had some personnel issues that prevented him from discussing the data with the Business Administrator prior to sending it out the BudCom. He will be meeting with her soon and will discuss this spreadsheet at that time. Chris recalls being told that they would have this available to them in May.

**Other Business**

Mort questions the rent on the SAU building. Bill states that the rent payment is equal to what they previously had as a bond payment. Mort feels the rent should be at fair market value. Chris states that they could make this a recommendation for the next lease agreement. Mort stresses that they need to run this more like a business and less like a charity. Chris states that this can be discussed more in the future.

*Bill moves to adjourn. Seconded by Tom. Motion unanimously approved.*

**Next Meeting** will be held May 29, 2007 at 7:30 PM in the Community Room, Hollis Town Hall

Meeting adjourned at 9:25 PM.

Respectfully submitted,

Deborah Adams, Secretary