

# BUDGET COMMITTEE

## Minutes of May 23, 2006

Meeting was held in the Community Room, Hollis Town Hall and was called to order by Chairman, Michael Harris 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, Mort Goulder, Mark Johnson; Deborah Adams, Secretary

Also present: Jim Murphy, Chairman Hollis Brookline Cooperative School Board

### Town Report

Melinda states that financially the town is doing well. All departments are currently under budget, with the exception of the overtime budgets for police and communications. This is mainly due to the shortage of personnel. A new police officer has now been hired and communications is in the process of interviews. Any other line items that appear to be over will balance out by the end of the year. There have been a few requests for extra expenditures that were not included in the budget. The Selectmen are still in the process of reviewing these. The building renovations are going well and should wrap up in June. Currently it appears that they will come in at \$30,000 under budget and there should be approximately \$40,000 in interest revenue. The 3 department heads are discussing items that were cut out of the project when the bids came in so high to determine what could be added back in. Chris asks how much was cut. Melinda states that \$200,000 was cut, mostly from the DPW. Arthur had indicated that there were some items he could put off for now. The DPW personnel also helped out with some of the labor to help reduce costs.

Mort comments that there was a mild winter this year. He asks if the snow plowing expenses are down. Melinda explains that it was a strange winter. While there were fewer storms, the storms that did come were prolonged, causing more overtime for each storm. They are hoping that November and December will be light snow months.

Mike questions the status of the South Merrimack Road culvert after the recent rains. Melinda states that they were able to do some reasonable, temporary fixes. The road was closed for 1½ days during the storm. Chris asks who is responsible for the State roads in Town. Debbie states that this is the State's jurisdiction. Melinda states that the town has received emergency funds in the past for extreme storms. They will be filing with FEMA again. She points out that the DPW keeps very good records on these types of situations. The fact that Hollis has a hazard mitigation plan helps the town to be eligible for FEMA funds.

Mike asks about the revenue. Melinda states that the revenue side of the budget is higher than normal at this time, mainly due to increased current use penalties. This means that more lots that had been held in current use are now being developed. Debbie explains that a property does not automatically come out of current use at the subdivision stage. When a large parcel that is in current use status is subdivided, the individual lots remain in current use until such time as the owner receives a building permit for construction, the lot is sold to another individual or the lot no longer qualifies for current use status.

### Apportionment Review Committee

Mike explains that the BudCom has been asked to appoint one member to serve on the new apportionment committee that has recently been established by the Hollis Brookline Cooperative School Board. The BudCom briefly discussed this during their last meeting, yet had many questions. Jim Murphy was invited to speak to the BudCom this evening.

Jim Murphy explains that, by RSA, every 5 years the apportionment formula can be reassessed. This is an important process and he would like the 2 towns to do that as a collaborative process. This committee will look at ways to develop a formula that is broadly acceptable. The Committee's mission is to "develop a formula for apportioning Cooperative School District operating costs that will promote a sense of mutual investment in the Cooperative School District, will facilitate and enable long-term planning for the District, and will be broadly viewed as acceptable by a wide cross-section of the voters in the District. Such recommendation shall be based on a comprehensive review of current and past apportionment data, a review of apportionment formulae used by similar Cooperative School Districts in the State of New Hampshire, and a comprehensive assessment of current public sentiment in both towns within the District."

Jim states that he purposely did not use the word "fair", as this word means different things to different people. He points out that it may not be fair that his neighbor has no children yet must pay taxes for the schools. It may not be fair that another neighbor home schools their children, yet also must pay taxes for schools. These examples may not be "fair", yet they are "acceptable". The goal is to have an opportunity to look at apportionment costs, do research, look at other districts in the State and research different apportionment for capital vs. assessment. There will be representatives from Hollis and Brookline BudCom's, Selectmen, School Boards, Coop School Board and citizens at large. They will spend 6 months looking over the information and will present their recommendations to the Coop School Board in December. By the time the March Town Meeting comes around, the citizens should be well versed and educated. This is a very emotional issue. He does not want the vote to come down to who can shout the loudest at the meeting.

Mike asks Jim to explain the history of the formula and its structure. Jim states that this can be very confusing. There are 2 ways the apportionment can be calculated; divided evenly by ADM (average daily membership) or by property valuation. The Hollis Brookline Coop currently uses a blend of both. The ADM is weighted 75% and the property valuation is weighted 25%. We have a 75-25 formula. Five years ago it was recommended to go to a 80-20 formula, yet this was amended from the floor at town meeting to the 75-25. When the Coop was formed the formula was at 50-50.

Mike states that this can be amended every 5 years. He questions whether the suggested change must come from the School Board. Jim believes the School Board must approve the proposed change and present to the voters as recommended. This would not preclude a petition brought forth by the citizens or amendments made from the floor. He stresses that it would not be good to have 2 or 3 competing articles presented at town meeting. He is hoping to have 1 well thought out article to present.

Mort offers his recollection of the history behind the Coop. Brookline was in the Milford School District, yet was kicked out. Hollis took in Brookline and the costs were evenly split with an extra 2% paid by Brookline because Hollis owned the buildings. Brookline threatened to leave Hollis, yet the Hollis parents did not wish to have their children's friends leaving. Therefore Hollis was bullied into creating the Coop. The apportionment started at 50-50, then changed to 60-40. Over the years Hollis residents have compromised and allowed Brookline to get what they wanted. This has been an emotional issue for many years. He is in favor of a 100-0 apportionment.

Melinda points out that another issue has been the fact that when the Coop was created there wasn't any State aid included. Both Hollis and Brookline are currently receiver towns with State aid, yet Brookline receives at a different level than Hollis. This is considered as revenue and is not included in the apportionment formula. There are many Hollis residents that would like this included. Mike agrees that the last time the apportionment was discussed it was stated that Hollis should not subsidize Brookline when the State already subsidizes them.

Chris points out that this new committee will be equally weighted, yet the Coop is not set up this way. The Coop was established with more weight given to the town with the bigger population. Jim explains that his intent was to foster outside the box thinking, rather than drawing a line in the sand. Mark stresses that this is a 5 year decision. Whatever is determined will affect all taxpayers for the next 5 years. He read the April 19<sup>th</sup> Coop School Board minutes, as well as comments that were posted on the Brookline Yahoo Group. The Coop School Board will be asking the majority town to accept less than a proportional representation on this committee, while also allowing the minority town to have more than proportional representation. The committee charge states that the goal is to be collaborative vs. partisan. He has not seen that having a proportional representation on the Coop boards in the past has been a negative thing. One man, one vote is a good thing.

Jim stresses that if anyone has a problem with this, they should discuss it with the Hollis representatives of the Coop School Board, as they all voted in favor of this membership. Mark agrees that they may have voted to approve, yet during that meeting the Chairman used words such as; collaborative vs. partisan, yet this appears to be very partisan. This does not appear to be collaborative when they are not allowing the majority town to keep their majority. He asks if the Coop School Board would reconsider this issue and allow a proportional representation. Jim indicates that he would discuss this with his Board.

Mark brings up the issue of "fairness". This word was mentioned earlier and also at the end of the April 19<sup>th</sup> Coop School Board meeting. During that meeting it was stated that the recommendation from the committee may not necessarily be fair, but it should be acceptable. He questions why fairness is not the 1<sup>st</sup> requirement. Jim feels that there are too many interpretations of the word "fair". The use of fair invokes emotional responses. At the end of the day, this will only be a recommendation to the Coop School Board, that may or may not be accepted and placed on the warrant. This is the method the Board chose to pursue. Mark agrees that it may be difficult to determine what is fair, yet this is the responsibility of an elected Board.

Scott is concerned with the wording of partisanship. He has difficulty with this concept and does not wish to participate. He is an elected office for Hollis, therefore he does not see that this would make him partisan vs. collaborative. Chris comments that there is much to be explored and evaluated. He questions how much support will be available to assist this committee. Jim states that he has not discussed this with the administration. If the committee has a legitimate of the administration, this should be promptly explored. With this many committee members, there will be many people to assist in the fact finding. Much latitude is being given to the committee to refine and define the committee as they see fit. Mike points out that there should be much information available from the State. Debbie recommends channeling any requests for information. In her experience with other boards/committees that were formed to do research and offer recommendations on a particular issue, each of the members will tend to ask the same questions of the administration. This can become quite frustrating to the staff that is constantly being disrupted with the same or similar request.

Melinda comments that many people may be interested in this work, yet they are already very busy. Jim states that he is only asking for the BudCom to appoint a committee member or a reasonable designee. There may be prior members that would have time to devote to this issue. Melinda points out that it is really helpful to have a secretary to take notes of the meetings, as it can be very difficult to participate while also taking minutes. She mentions that there may be people that would like to volunteer to help with research, yet would not be voting members of the group. Jim states that this has been accounted for in the charge.

Mort points out that it used to cost Hollis taxpayers \$300,000 - \$500,000 per year to subsidize Brookline. He questions how much that is today. Chris estimates this to be \$487,000 with 100% ADM.

Melinda questions how often the committee will meet. Jim states that it will be as often as necessary. This will be determined during the

organizational meeting. Once the data is collected, they will need to meet more often. Melinda asks if the same committee will also be organizing publicity. Jim states that they will have the supporting role. One item on the charge is to have a public hearing to discuss the issue.

Mike opens the floor for public comments.

Bob Worth, 12 Pullman Drive – He asks if Jim Murphy is from Hollis or Brookline. Jim indicates that he lives in Brookline. Bob asks if the property values are higher in Hollis or Brookline. Jim states that Hollis has the higher property values. If the apportionment formula weighs more heavily on valuation, then Hollis will pay more. Bob states that he agrees with Mort that the apportionment should be 100-0.

Joe Burgatti, 20 Rail Way – He questions the enrollment figures for Hollis and Brookline. Jim states that this is a 60-40 ratio. Hollis has more students, while Brookline has more students per household.

Dorothy Cogger, 16 Rail Way – She questions the rationale to oppose a 100-0 apportionment formula. Mike explains that the Brookline taxpayers argued that their tax rate was much higher than Hollis' and that they had fewer people to spread this out to, therefore they felt this formula to be unfair. Since that time the State has now been providing them with State aid, which Hollis residents now feel is unequal.

Eleanore Richards, 7 Rail Way – She asks if there has been any discussion on separating the school district. She wonders if there is any benefit to being part of a coop vs. separate. Mike explains that when the coop was originally formed the school were much smaller. During the 20 year period when Brookline was merely sending their children to Hollis, the size was not sufficient to support 2 programs independently. This same argument is not as strong today. Eleanore asks if the financial implications have ever been explored regarding the issue of separating the coop. Mike states that this was done a couple of years ago while the Coop School Board was attempting to get a Jr. High School addition approved by the voters. Many people felt that a new Jr. High School constructed in Brookline would be the best option. The Jr. High Coop would be split, leaving just the High School within the Coop.

Chris adds that it was recommended by the Coop School Board around 7-8 years ago to begin the process of a separation. At the time there was a large outcry from both Towns not to do this. The idea was defeated at the time, yet now there is more talk about beginning that process. Mike agrees that it is possible. The RSA does allow for this, yet the State discourages it. Melinda explains that if the Coop were to split, there are some financial issues to be ironed out. Brookline has been paying into an infrastructure that is solely located in Hollis. This infrastructure would become Hollis property, therefore Hollis would have to pay Brookline for some of these costs. A recommendation would be offered to Brookline, yet a Judge and the State Board of Education would ultimately determine this amount. Depreciation would be calculated into this amount.

Mike explains that there must also be a separation plan established, as they cannot leave any students without a school. This is a long term process. Jim agrees that a coop split is a 4-5 year process. The Committee will be recommending an apportionment formula for the next 5 years. This recommendation may prompt more discussions on a possible split, yet they want to keep this as a separate issue. These are different issues.

Peter ?, 29 Rail Way – He mentions that when he was younger he had children in the school system, yet he does not now. He questions if it is fair for him to pay more for children that are not his than parents in Brookline that do have children in the school. He stresses that his taxes are getting larger and larger. Chris points out that by NH State Law, the funding for schools is done via property taxes. The only levers they have to work with as part of the Coop school arrangement is the apportionment formula. There is no way of addressing any abatements for people that do not have children in the schools. That is not part of the tax structure. Mark mentions that Hollis recently formed a Property Tax Equity Committee, which was established as the result of suggestions made by the Town Moderator because of these same concerns. The town currently has no flexibility regarding how to tax residents. Hollis is attempting to come up with recommendations that can be forwarded to Congress regarding possible changes that can be made. Mike agrees that Hollis has no flexibility on this. Mort disagrees. He believes that Hollis does have flexibility. Melinda agrees with this. She believes that the Town of Moultonborough has different rules.

Bill states that the Hollis School Board has not taken a position or voted on a representative yet. He stresses that the main issue should be what is in the best interest of the students. They must keep this in consideration. This is not just a money issue, it is to provide the best education for the students, with the budget that is presented to the voters. Mort takes exception to this. The apportionment formula has nothing to do with what is done with the children, it merely tells each town what portion of the entire budget they must pay.

Mike states that the BudCom needs to decide if they want to participate in this Committee. Melinda feels they would be negligent if they did not participate. There should be a voice from the Hollis BudCom. Mort agrees. There must be a strong voice. Mark still has many reservations. Scott agrees with both Melinda and Mark. He has reservations about this, as the Committee will merely be giving suggestions to the Coop School Board, that may or may not be taken. Melinda agrees that the Committee membership will not be proportional to the Coop, yet it would be more disproportional if the BudCom does not participate.

Mark states that when a Committee is formed that is charged with making recommendations, there is an assumption that they will be making fair

and honest recommendations. He has a problem with sending a representative to a Committee that is not proportional. He has a problem with a Committee not wanting to be fair. This is what all committees strive for, yet this is why there is not always a unanimous vote. They cannot throw out fairness, just because this cannot be defined. He would support if they were to make the membership proportional to the same way the other Coop committees are filled. He would also like the Coop School Board Chairman to rescind his statement that the recommendation need not be fair, only acceptable. He feels that if he were to participate, he would be viewed negatively if his comments were thought to be partisan. The BudCom needs to send someone that will put the Town and the taxpayers first, and if this were viewed as partisan, then too bad.

Bill agrees that the BudCom cannot afford to not participate. The Committee could come up with multiple options. Jim states that if multiple options were presented to the Coop School Board, they would have to evaluate the pros and cons of each and make a decision on just one. They will look at all alternatives. He wants to have educated options. Mike states that if the BudCom appoints a representative to this Committee, he would also like to have the BudCom make their own recommendation. Melinda agrees. The BudCom has a responsibility to Hollis residents to explain to them what will be in the best interest of the town.

Melinda points out that having a member of the BudCom on this Committee will be very valuable. This person will learn much information that they will be able to pass on to the BudCom. They will have someone on the inside to learn first hand what is being discussed.

*Melinda moves to have a member of the Hollis Budget Committee sit on the Apportionment Review Committee. Seconded by Bill. Voting in Favor – Mort, Chris, Melinda, Bill Opposed – Mike, Mark, Scott. Motion approved.*

Mike asks for volunteers to serve on this Committee. Jim states that he will be representing the Coop School Board for Brookline, the Hollis representative is still to be determined. Lorin Rydstrom will serve as the Hollis representative of the Coop BudCom, with Kent Caldwell as the Brookline representative. Linda Saari will serve as the Brookline Selectmen representative, with Clarence Farwell as an alternate. The Brookline Finance Committee representative is still to be determined, as well as the Brookline School Board. Although he is Chairman for the Coop School Board, he will not serve as Chair for this Committee.

Mort offers to participate for the BudCom. Mike appoints Mort to serve on this Committee. There were no objections.

Melinda states that the Hollis Selectmen will make a decision on this during their first meeting in June. Mike asks if there will be minutes taken of the meetings. Jim indicates that all meetings will meet RSA requirements. There will be minutes. Mike states that he would like to receive copies of all minutes so that he can review the process. Jim states that the BudCom representative will be responsible to distribute these to all who want them.

### **Mort's Charge as BudCom Representative**

Mike states that the BudCom can appoint Mort to be a private representative or to act as the BudCom representative with BudCom views. Chris feels the apportionment should be 100-0. Mark feels that if there were an article asking to appropriate \$450,000 to offset Brookline's educational costs, this would not pass. It is all in the way it is presented to the public. Mike stresses that more people from Brookline attend these meetings. Unfortunately these meetings are not well attended. Melinda feels the tide is turning with Hollis residents. She is seeing more interest within Hollis these days. Mike states that the BudCom would like to see this with 100% for ADM. Mort states that this is the same position he has.

Bill stresses that it is too premature for them to state 100-0. They need to study the data that will be collected. They must see the research first before making any recommendations. Chris agrees. Bill is concerned that the minutes will reflect that the BudCom is making this decision too prematurely. Mort states that Brookline is not his favorite charity. Melinda points out that she is not happy knowing that a portion of her tax bill is going towards Brookline.

Mike states that Bill's point is well taken. He does not want to close their minds to other suggestions, yet he would like to give Mort some direction. Melinda states that if the Committee does not agree to 100 ADM, then she would like to have the State aid incorporated into the formula. Chris is not sure if this would help or hurt Hollis. Bill points out that since the State aid changes from year to year, it would change the apportionment. Melinda disagrees. There are many factors that change the balances. She is not paying the same taxes each year. The formula will stay the same, it is the figures that may change.

Bill states that if the Committee suggests anything other than 100 ADM, then they will need to know what this will get Hollis. They need to know the pros and cons, not just the financial aspect. Mike points out that if 100 ADM were approved, Brookline would be more encouraged to leave the Coop. Mark states that the opposite would be true; if they do not get 100 ADM, Hollis would then have more incentive to leave the Coop. Melinda stresses that currently Hollis is paying 68% of the bill for 63% of the students.

Mark comments that doing 100 ADM may give Brookline some incentive to leave, yet there are more dis-incentives for Brookline to leave, given the cost of constructing new buildings. Melinda states that when Hollis taxpayers begin paying more and more for additions to the infrastructure, this will give Hollis more incentive to leave. They will not want the schools to become too large. Scott stresses that the BudCom needs to be more proactive in publicizing this information to the public. Mark feels that tonight was a good start, as there are 22 residents in attendance at the meeting to learn more about the appropriation. Chris agrees that it would be useful to the public to understand the costs and how proportional they are.

### **School Report**

Bill reports that the school is running right on budget. There are 2 items that are slightly ahead; operation of plant and transportation. Operation of plant is over due to increased costs for electricity and fuel, as well as a few necessary repairs to the boiler and the roof top compressor. Transportation costs are up due to higher fuel costs. They are still on tract to return the \$75,000 contingency. Special Education is also right on track. There are no special items outstanding that would place a lien on the unreserved fund balance.

Bill checked into last month's request for the Full Time Equivalency spread sheet to be prepared. He explains that the financial reports are currently generated by a pre-existing software program that is predefined. The BudCom report must be prepared manually. In order to prepare the FTE spread sheet for the BudCom, much data mining would be necessary to extract the information. Originally the SAU understood that this would be a one-time report. They did not realize that the BudCom would request this information each year. Melinda stresses that this was thoroughly explained that this would be an annual report. They have been asking for this information since last Fall. Bill states that the Administration describes this as very labor intensive.

Mike states that he does not want to place any undue burden on the Administration. Melinda points out that the school spread sheets are not usable for the BudCom's needs. Mike points out that they do not like to get involved in every detail of the budget, they just like to see how the money is being spent. The FTE spread sheet shows where the money is allocated; administration, special education or regular education. He would like to have this overview. Chris states that they need to look at the personnel sheet to see where this position falls within the FTE spread sheet. Mike states that he does realize that the current software is not conducive to extrapolating this information.

Scott recalls that the numbers were not extremely complicated. This was not an enormous burden. Chris feels that this merely shows a desire to not provide data to the BudCom. This spread sheet was agreed to be an annual report. Mike states that this shows how much of the budget directly affects the children vs. administrative costs. It shows if money is being expended where it should not be. Mark stresses that this is an accountability issue. When working for the public sector there must be even more accountability. Mike states that they are not looking for this level of scrutiny.

Debbie explains that Doug Cleveland created a pie chart years ago that was used during the budget process to graphically depict how much of the budget was spent on special education, administration, instruction, transportation, food service, etc. The BudCom questioned how much of special education was truly for children services vs. administrative costs. This prompted the creation of the FTE spread sheet to accurately depict how much of the budget was being spent on items that directly effect the children and how much was merely administrative.

Bill states that this information would be of interest to the Hollis School Board as well. He mentions that the new software program will be implemented this summer. There will be much work involved in this process, with the typical learning curve. There will also be the usual audit process in August. He hopes to have this information available to the BudCom next Fall. Melinda points out that they will then need 2 years worth of data, as last Fall's information was not provided. She stresses that this information was needed during the budget process. She feels the BudCom needs help in obtaining information from the SAU office. She recalls that the FTE spread sheet was developed with LeeAnn's help, yet Melanie actually did most of the work plugging in the figures. This information may still be on her computer. Bill will check with Melanie. The BudCom can then review this information at the next meeting to determine if the spread sheet is still correct. Mike states that they should also coordinate this with the Hollis School Board, so that one report will fit both boards.

Chris mentions that the BudCom has continually been stonewalled with excuses. When they finally receive the data, they will need prior year's information to show the trend. Mark interprets the answer from the SAU administration as they are too busy to be accountable. He stresses that this is not an acceptable answer. Chris stresses that this information does exist, it is just not being provided to the BudCom. Mark states that they need to put their foot down, that when they request information, it should be made available. This is public information. Mike stresses that they also need to be careful not to overburden the staff.

Bill states that he asked about the status of the self funded insurance. Apparently the SAU is still looking into this, yet it was found to be cost prohibitive by the Brookline School District. He feels it would be difficult for the Hollis School District with a higher head count and different demographics. Mark stresses that the higher head count should be a plus for self funded insurance, not a negative. Melinda agrees that a more senior staff is not good demographics for insurance. She questions whether the SAU would be willing to do this for only the Hollis School District. It should not matter if it is not cost effective for Brookline. They need to determine if it is cost effective for Hollis. Bill believes they were using Brookline as an example. He does not have all the information. Melinda thinks the School should discuss this issue with Paul Calabria.

Mike asks if this has seriously been reviewed by the SAU. Mort states that the Superintendent appeared enthused about this when it was initially discussed with the BudCom. He feels they should ask Paul to review this with the school. Melinda states that Paul worked with Nikki, who requested certain data, which was needed in order to provide the Town with an analysis. Paul then compared this with other insurance policies. The school needs to do this same process with their own data.

Mike questions the status of the pending legal issue regarding tuition. Bill explains that this is in the hands of their attorney. The last information he heard, was that they were looking to create a payment plan. Chris asks about the insurance situation with the boiler fire. Bill states that this is in litigation between the insurance company and the service contractor. The school is using legal resources to recover the funds. Melinda asks whether the School Board has made any decisions regarding the Farley Building and if they plan to keep this property for long or short term. Bill indicates that this will be on the agenda for their next meeting.

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

**Next Meeting** will be held June 27, 2006 at 7:30 PM in the Town Hall Community Room

Meeting adjourned at 9:50 PM.

Respectfully submitted,

Deborah Adams, Secretary