

# BUDGET COMMITTEE

## Minutes of June 26, 2007

Meeting was held in the Community Room, Hollis Town Hall and was called to order by Chairman, Mike Harris at 7:48 PM.

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

Also present: Paul Calabria, Finance Director; Jim McMann, Hollis School Board

### **Budget Guidance**

Bill states that the Superintendent has raised a point that while they appreciate the need for guidance and the intent of this guidance, there is much concern that this causes the school to hold programs at a steady pace and does not allow for improvement of these programs. The level of service is maintained, but not increased. The guidance given is not sufficient to cover necessary increases for benefits, retirement and raises. Nothing new can be done. The past cycle they did get some maintenance items approved, yet the guidance is eating into education and not allowing the School Board to do any more than just status quo.

Mike stresses that the BudCom's job is to allow services to be maintained. If they want to add new or change existing services, then they should go before the voters and advocate for this. The problem is that the budgets are funning away and the resulting tax increases cannot be sustained. Chris feels that they have an opportunity to address some of these issues when they negotiate the next contract. There are 3 drivers to the increases; Special Education, salaries and benefits. Special Education has been increasing by almost 20% each year, which is way more than inflation. Salaries account for the largest portion of the budget and had an average increase of 6.5%, which is also more than inflation. Included in benefits is a State pension program that is severely underfunded with the individual towns paying for the problem. This also increased way more than inflation. This leaves little for any increases to programs. He points out that there are presently 2 curriculum coordinators in the district. He questions if this is really necessary and if this provides any benefit vs. spending more for the classrooms.

Chris stresses that the taxpayers are being hit hard. He has recommended for the last 2 years that the BudCom needs to take the increase to taxes into account when giving the guidance. They should not be looking just at the cost drivers. Mike questions what percentage would be reasonable for an entire compensation package for each year. Is a 6.5% increase too high? Mort agrees that this is much too high. It is over inflation. Bill states that the average is 3-4%. Mort stresses that it should be held to inflation. Chris states that Special Education has been driving this. Mort mentions that the Coop wants to freeze Special Education. Mike agrees that this area is getting out of control. It is a mystery why it has been increasing so rapidly. This portion of the budget should not be allowed to increase at this rate. Mort stresses that this tends to take away from the other children.

Chris states that a majority of residents feel that taxes need to stabilize or even drop. Mort points out that the BudCom failed to take into consideration that the school population is dropping. The guidance should be reduced for this. Mike mentions that they did reduce 1 classroom this last year. Melinda feels that holding them to a 3-4% total compensation increase would be good. Chris stresses that the taxes are out of control and he is not sure if holding to a 3-4% increase will help this or not.

Tom is not sure about this. He agrees that many items are beyond their control. He also agrees that Special Education spending is out of control and needs to be stopped. The 3-4% cap sounds reasonable to him. He would like the school board to look at their maintenance projects and set better priorities. The new pavement being proposed is not helping the children. Mort would like to hold the entire budget to inflation. They need to hold the Special Education costs. Whatever inflation is, the total compensation package should be held to this level. No more! Bob questions how they would handle it if inflation turned out to be 5% one year. He would like to see the salaries held to inflation, then take the steps and benefits into consideration. The 3-4% is not unreasonable.

Bill stresses that maintenance is also a large driver in the budget. These are aging facilities and must be maintained. There are many items that must be kept up with. Changes have been made to maintenance to help curb cost, such as using Hutter Construction and the hiring of a new Director of Maintenance. The parking lot and driveway conditions have become a safety issue and must be corrected. They now have new people in place to help keep costs down. He stresses that they have no control over 94% of the budget. Bill mentions that he has been discussing with the Principals different ways to allow them more time in the classrooms. The curriculum coordinators may help with this.

Chris comments that he is hearing that they do not wish to micromanage the budgets, yet need to provide the students with an excellent education. There is only a fixed pot of funding available. He questions how this can be allowed to inflate while not impacting taxes. Bill stresses that the Superintendent has indicated that they are not able to maintain services at the current level with merely inflation increases. He questions whether this statement would allow for discussions with the community regarding other means of funding education besides taxes. Chris points out that it would not be appropriate for the BudCom or School Board to have this discussion with the public. Mike recalls times in the past where items were not placed in the budget, yet the school approached the PTA for fundraising. This worked for the playground equipment.

Jim questions how they can reconcile between a 3-4% increase and a level tax rate. Which of these would prevail? Mike feels that if they can

achieve a 3-4% total compensation package with the upcoming negotiations, this would be a major accomplishment. The total compensation is normally 6-7%. Chris points out that there has also been a decline in enrollment, which has not been taken into account for the budget guidance. If this had been considered, the guidance would have been lower. The guidance actually turned out to be beyond inflation, although he did not vote to approve this. He stresses that restructuring of the guidance needs to be done, especially with the population trends being lower.

Mike states that it is clear that the BudCom has given the school their answer regarding guidance for next year's budget – hold the total compensation for employees to 3-4% increase. He suggests looking into the declining enrollment and smaller classes, which may require fewer aids. Bill stresses that they did reduce 4 aids in the last budget. This money was moved into maintenance. He reiterates the Superintendent's concerns about not allowing for improvement of programs. Mike points out that it is common for the head of bureaucracy to not want to reduce the bureaucracy.

Chris is concerned that if they do not control taxes, they run the risk of having SB-2 approved in town. This would not be good. That would be less efficient and there would be less ability to provide services. Mort points out that the Coop has discussed the possibility of having a K-12 Coop district. This would allow the Superintendent to focus on just 1 school district, rather than 3 districts with differing issues. Bill asks if the BudCom will be voting on the official guidance at a later meeting. Mike explains that this is usually done in September, yet they have given the school some guidance to start with.

### **School Report**

Bill reports that the budget is on track. There are 2 items for contingency; a new telephone system for the primary school and repairs to the roof at the primary school. They have received several good bids for the telephone system, which will be a pvx system, open source and software based. If the electricity goes out for any reason there will be a phone backup. The business administrator suggested leasing the system, which would cost less in the short term yet would cost more in the long term. The software/hardware package will cost \$26,000. The vendor doing the install estimates 100 hours installation time and 40 hours of training. This will add an additional \$12,000 for a total of \$38,000. This includes the SAU offices. Other proprietary systems were quoting at \$35,000 - \$45,000, with an additional \$9,000 for the SAU offices. The coop is also looking into this same system. There will be ongoing costs of \$2,200 for annual maintenance fees.

Mike questions the difference in yearly costs, after the initial installation and setup. Bill does not have this information. He feels the yearly costs will decrease. The SAU board recently voted on using broadband for their networking, therefore the \$12,000 currently being spent on this will decrease by \$3,000 - \$4,000. Mike would like to see these figures.

*Tom moves to approve an expenditure not to exceed \$38,000 from contingency for installation of telecom system. Seconded by Melinda. Motion unanimously approved.*

Bill explains that the material under the windows at the primary school has been rotting away. The original quote for repairing this was in the mid-\$50,000 range. The school board felt there could be other alternative materials to fix this problem and have approached Hutter Construction to reevaluate the situation. In the mean time, the roof at this same school is in need of repair. They are suggesting using \$60,000 from contingency to correct the roof problem now and will address the window problem next year. They have received several quotes for this work, all other bids were much higher.

Chris asks if this will be shifting the expenditure of the roof from next year to now and the window problem from now until next year. Bill states that the expendable trust was intended to handle the roof problem, yet will now be used for the windows. Chris points out that the total of the 2 items for contingency is above what has been budgeted for contingency. Bill states that there are other items within the budget that will be underspent which will offset these expenditures. Mort asks if Hutter Construction will be looking at what maintenance items can be postponed. Bill indicates that they are looking into this. They will be evaluating for short, medium and long term items. The telephone system and the roof have both been deemed critical items.

*Melinda moves to approve encumbering \$60,000 from the residual funds of the 2006-2007 unexpended fund balance for roof repairs at the Primary Elementary. Seconded by Mort. Motion unanimously approved.*

Bill reports that the new Director of Maintenance will start work on July 1<sup>st</sup>. James O'Shea has resigned from the Hollis School Board to allow him to devote more time to the Coop School Board. Therefore the Hollis School Board is in need of someone to fill his seat for the remainder of the year. He urges anyone interested to contact the SAU office. The Business Administrator has also announced that due to personal reasons she must resign. She may be available for consulting to assist part time during the transition. This same thing occurred last year. She has been training the Assistant Business Administrator to take over. Chris asks if the new software system will be of assistance during this transition. Bill is not sure. They are currently implementing the human resources module, which will help with the FTE report for the BudCom.

Bill mentions that they have recently begun broadcasting their school board meetings and will continue to do so. He reports that at this time he does not know how much can be turned back to the town. He should have this information by August.

### **Town Report**

Melinda states that the Selectmen have signed a new contract with Planner, Mark Fougere. He has been a great asset to the town and has agreed to a

1 year contract. Changes have been made to the procedures for employee reimbursement for expenses. Currently the employee is issued a separate check, however this will now be included with the payroll check. This will not affect the employee's income, as it will be listed separately on the check, yet it will help to reduce paperwork and the number of checks being issued.

Melinda reports that the Director of Administration, Catherine Hallsworth will be retiring on August 31<sup>st</sup>. They have already started receiving resumes for her replacement. Hopefully they will be able to hire someone soon to allow for some overlap for training. Chris asks if this will be a change in the form of Government to a Town Manager. Melinda explains that changing to a Town Manager would have to be done by vote at a Town Meeting. That would also require some significant changes. The Selectmen are not in support of a drastic change such as this at this time. They feel they have great department heads with a good working relationship with the Selectmen. This would significantly change with a Town Manager, as it would give another layer of bureaucracy between the department heads and the Selectmen. Cath was promoted to the current title of Director of Administration 2 years ago. Her duties are the same as a Town Administrator, which will be the new title, as that is really what the position entails.

Changes were made in the Town Clerk's office. Becky Crowther has worked part time at the Town Clerk's office and part time at DPW for many years. She has been paid as a full time employee with benefits, yet her duties were split. Becky will now be working full time for DPW. A new part time position will be added at the Town Clerk's office. This position will not include benefits. The Selectmen recently approved hiring Allison Faulk to take this position. She will be starting work this week. Chris is concerned that the Town has added a new position that was not approved by the Town. Melinda explains that this is not adding a new position. The hours for DPW will be increasing and they are hiring a replacement ½ time town clerk. There are no benefits for this ½ position. The changes made to DPW earlier in the year allow for no bottom line impact to the budget for these changes.

The Cable Advisory Committee met with the Selectmen last night. The Selectmen previously asked them to look into improving the quality of our broadcasting capabilities, possibly recording meetings for rebroadcasting and the potential for webcasting. There is some money in the budget for proposed changes. They have recommended purchasing 1 new camera and a laptop with software to help improve the quality. There is currently \$3,800 available and an additional \$1,200 is needed for all items. They are looking for citizen contributions to assist in this endeavor. Mike asks if a warrant article is needed to accept donations. Paul explains that this is not necessary as the donations are tax deductible. Chris asks if there are any specific pieces of equipment that is needed. Melinda suggests having people that may be interested in donating contact Cath Hallsworth.

Melinda mentions that Paul has been working hard with PSNH and TDS to help consolidate their bills. The town currently receives separate bills for each phone line and for each separate building. This adds extra paperwork and time. They are also in the process of obtaining engineering reports and estimates for the repairs needed for Ames Road and Wright Road. Ames Road is still closed from the flooding and Wright Road has consistent flooding problems that need to be addressed. Chris asks if they plan to restructure the intersection of Witches Spring Road and Silver Lake Road to make the area safer and also to allow Ames Road to remain closed. He knows that the residents of Ames Road would prefer this solution. He asks if it is possible to make Witches Spring Road into a T-intersection. Bob comments that trucks already have a hard time getting in and out on this road. There are major safety issues at this particular intersection Melinda states that the Selectmen will discuss this. Whether the road is opened again or not, they still need to correct the culver for emergency access.

Melinda states that the Selectmen have signed off on the culvert for South Merrimack Road. The work should begin sometime in July or August. Mort questions why they should fix this culvert. It is working now. Melinda stresses that they do not wish to have a band-aid approach to this. The main culvert is too small, which causes much flooding to occur. The area to the south of the culvert also tends to flood. A culvert will be installed to prevent this in the future. She stresses that this is a major road that must be corrected. Chris would like the Selectmen to contact Merrimack to see if the culvert to the east of this area could be expanded to help alleviate some of the problem.

Melinda mentions that they have started looking at potential renovations to the town hall. They have some old plans that they are currently reviewing. They will be discussing many ideas and needs with the staff. David Petry has been looking into some grant possibilities. If they can pull this together with a good price package, they will present it for 2008. If not, this will be held off for another year. Chris asks if they are considering the long term needs of town hall, the Farley Building and the market place (town clerk's office). Melinda indicates that they are keeping these in mind. If more grant funding is available for multiple projects, then they would present this to the voters as one. She would like to see both buildings renovated sooner rather than later, yet she will not support any project unless there is significant grant funding to help offset the costs. She does not want this to affect the taxes too much.

Chris would rather this not be done piece meal. Melinda states that part of the design process will be to look at how the space may be used in the future. The Farley Building will soon be a part of the town and will be included in this discussion. This transfer should be done very soon. Chris asks if the renovations to the town hall would also include the bell tower and the exterior. Melinda states that this would be included and that is why exterior renovations were not put in the budget this last year.

Mort questions what is being done about no lifeguard at Silver Lake. Is this a liability to the town? Melinda explains that the park is State owned and is a State run facility. With no lifeguard, Hollis provides EMT services. Mort asks why the State cannot simply raise the entrance rates to help fund a lifeguard. Melinda states that the Selectmen did suggest this to the State. The Selectmen met with a representative from the State, who was very informative. Apparently the State legislature sets the fees for all State Parks. All State Parks are self funded and Silver Lake State Park has not been a money making park for the past few years. The Selectmen did ask about taking the park back and converting this into a town owned recreational area. This could be done, yet there is a stipulation in the deed that the park must be made available to everyone, regardless of residency.

The town would have to allow people from out of town. Chris comments that they could have differing fees for resident and nonresident. Bob questions why the town would want to take over this liability.

Melinda reports that the budget is tracking well at this time. There are some over expenditures in police, fire and dpw, which are due to the flooding back in April. They have filed all necessary paperwork with FEMA, yet they are not anticipating receiving any money before the end of the year.

Bill mentions that the school board received a letter from DPW regarding the town not sanding the school parking lots any more. Melinda would like to meet with Bill, the Superintendent and Jeff Babel to discuss this. There are issues with the coop regarding access for the emergency shelter at the high school. Bill suggests also including Robert Blaise, who is the new Director of Maintenance. Bill is concerned that the town cannot simply stop providing this service without any notice. Melinda reassures him that the town will not suddenly pull this out with the budgets already set and approved.

Bill asks about the status of the town's self funded insurance. Melinda states that the 2<sup>nd</sup> year of this insurance has been rough. There were many problems brought about by the broker. The Selectmen have contracted with a new broker, who has helped resolve many of these issues. They are currently looking into the possibility of going through a different insurance for next year. This decision will be made in the Fall.

Chris comments that employee benefits seems rather high. Paul explains that this is due to the timing of when capital reserve funds are transferred to the general fund. This will smooth out during the 4<sup>th</sup> quarter. Chris points out that the police budget also looks high. Paul states that they do have a vacancy for one position, therefore the overtime has been high. Mort argues that they do not need to have overtime. Paul stresses that this is the Chief's decision and if overtime is needed for safety reasons, it is used.

### **Farley Building**

Melinda questions why this agenda item was included for this meeting. Debbie explains that this was prompted by Tom, who felt it would be prudent for the BudCom members to see the conditions of this building for themselves. Melinda agrees that this is a good idea, however it should be discussed in the future should renovations to the Farley Building become a budget item.

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

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

Meeting adjourned at 9:15 PM.

Respectfully submitted,

Deborah Adams, Secretary