

BUDGET COMMITTEE

Minutes of June 27, 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, Tom Jambard; Deborah Adams, Secretary

Also present: Paul Calabria, Finance Director

Review of Minutes

Chris moves to approve the Minutes of March 28, 2006. Seconded by Mort. Motion unanimously approved with Melinda abstaining.

Tom moves to approve the Minutes of April 25, 2006. Seconded by Melinda. Motion unanimously approved with Mike abstaining.

Melinda moves to approve the Minutes of May 23, 2006. Seconded by Scott. Motion unanimously approved.

Town Report

Melinda reports that all is going well financially. The Departments are all tracking as expected. The Police and Communications departments are both over on overtime, yet their regular salary line items are fine. The police and fire station construction is almost completed. The Selectmen plan to hold an open house in the Fall to show the new facilities off to the public. The Police Department is currently down in personnel. They were already down with some open positions, then one officer recently passed away. The Fire Department still has one more position to fill. The two new police officers have just started; one will be finishing with the Police Academy soon and the other will attend the Academy in late August.

Melinda mentions that the Lawrence Barn construction is still ongoing. They still need some significant donation to enable them to get enough finished in order to get their Certificate of Occupancy. Another \$50,000-\$60,000 is needed for the work. Debbie points out that she recently looked at the Heritage Commission website for the Lawrence Barn, which is extremely outdated, referring to fundraisers from more than 1 year ago. She feels that anyone that may be interested in donating to help reconstruct the barn may be misled by the website by interpreting that no new fundraising efforts are planned or needed. Melinda adds that the Heritage Commission has been looking for more fundraising ideas.

Melinda states that the Strategic Planning Committee will be mailing out their surveys to all taxpayers tomorrow. The survey will be available in hardcopy and electronic versions. She happily reports that they managed to stay within their budget for the mailing.

Paul reports that he reviewed options for new postage machine costs with Debbie and Cath Hallsworth, and they have successfully negotiated a decrease in costs for the new machine and meter. This new machine will have more options and is much more advanced than the one currently being used. The Town is mandated to replace the machine by the end of the year and by doing this ahead of time he was able to save money. He has also negotiated better phone rates from AT&T, yet the problem still rests with TDS Telecom, which has a lock on the land lines. If he can get beyond this problem, the town could get much better rates.

Paul explains that they have been having ongoing meetings with FEMA regarding the flooding back in May. The town will be reimbursed for DPW and Fire Department overtime costs, which will include all labor, not just the overtime. They will also be reimbursed for road repairs and may also be eligible for mitigation measures for the South Merrimack Road culvert. This would help cover the costs for DES permitting and engineering. Once the entire scope of the disaster has been calculated, the State will then receive 7% of this cost for mitigation. This is given out on a first come, first served basis. Hollis is hoping to get their request in at the top of the list.

School Report

Bill reports that the school is right on budget. They are at the end of their last month right now. There is one major repair item that will involve contingency funds. At the June school board meeting they were informed of a water problem within the cinder block wall in the west wing of the Primary Elementary School. Apparently there is water inside the cinder blocks, that has saturated the insulation. A mold smell has developed in the music room, cafeteria and gym. The wall is sealed with a waterproof paint on the outside. They are estimating a cost of \$100,000. They will be encumbering the funds from the contingency line item. They are currently working to obtain a signed contract, which is necessary to encumber the funds. If the cost turns out to be less, this money will be returned. If it is more, they will tap into the next year's contingency account.

Bill states that they are not sure if the roof is part of the problem, yet this is still under warranty. Last summer some ceiling panels were pulled and Skyline Roofing went up to inspect the roof. They reported at that time that there were no problems. During this past winter, the water within the cinder blocks froze, creating a refrigerator effect within the school, causing them to increase the heat to keep this area warm. In order to fix the problem, they will need to drill holes at the top and bottom of the walls, vacuum out the insulation, allow the inside to dry, then blow in more

insulation and reseal the holes in the walls. If the problem is with the roof, that will also need to be repaired.

Bill explains they prefer to have a construction management company to oversee the corrective measures, such as Hutter Construction. Dave Lage from Hutter has already walked and inspected the building. He feels the problem may be in the roofing system or fascia boards. The SAU is looking into any roof warranties that may still exist. The addition was constructed in the late 1960's, so there is probably not much of a warranty left.

Chris recalls the roof was recently redone, with new skin added. This part should still be under warranty. Bill states that they are looking into this and are also checking what is covered under their insurance policy. The school board will vote on the encumbering issue this week and decide what approach to take with this problem. Mike stresses they need to decide on encumbering the funds now, as the end of the fiscal year is fast approaching. Bill explains that they need a legally binding obligation, which is why they are trying to get a contract on this. Mike comments that he does not recall needing a contract to encumber funds. Paul mentions that the town was advised by the DRA that this was necessary.

Bill stresses that they need to find the roof cause of the problem. Scott comments that it seems as though there have been signs of problems for some time now, yet it has not been fully investigated. Bill states that Skyline Roofing did some extensive work, yet they are still having problems. Debbie asks if the Health Officer has been informed of these issues. She knows that the Building Inspector has not been informed. Mike is concerned that nobody informed the town of this issue, as this is a major health concern for the children. Bill states that the music teacher has been having some health issues and has been to see her doctor. Mike stresses that people can have severe reactions to mold. This is a serious situation.

Chris comments that if they plan to pursue the insurance angle, he knows from experience that insurance companies always want to assess the situation before any evidence is destroyed. He suggests they take advantage of this opportunity. The insurance company may wish to look at the coring and air quality reports. Bill stresses that all repairs will be well documented to follow the needs of the insurance company. Mort comments that many insurance companies play games and many do not cover water damage. He suggests looking for creative ways to word the situation, so they will cover the expenses.

Bill states that Hutter Construction will provide as many subcontractor quotes as is necessary. Dave Lage has indicated that it is not unusual for a building of this age to have been constructed without weep holes and they felt at the time that sealing the blocks with paint would prevent any problems. Melinda asks if this has only become a problem since the walls were painted a few years ago, as the new paint may not allow the block to breathe. Mike points out that if the walls froze during the winter, there may have been some structural damage with the expansion. Chris recommends not have the prior roofer participate in the assessment of the problem, as this could become a liability issue. They need separability. Bill mentions that the paint on the outside of the building is actually bubbling as the moisture tries to come out. Melinda asks if it would be any cheaper to just replace the walls entirely. Bill states that it would not.

Mike comments that the school had a severe mold problem in this same building prior to the major renovation project that was done in the late 1990's. He is not sure if this problem was ever fully corrected. Debbie suggests having all walls in the building inspected to verify that this is not a problem elsewhere. Mike agrees this would be a good idea.

Chris points out that according to the school board minutes, there will be summer school held at the school during the Month of July. He asks if they will be using the Primary or Upper Elementary building for this summer school. He feels if it has been scheduled in the same building as this mold problem, it should be changed, as they would not want the children exposed. He also points out from the December 8, 2005 school board minutes where it was noted that there are problems in the music room walls and that it might be a significant budget impact. He questions why there isn't a line item for this problem if it was known before the budget was approved. He also questions why the BudCom was not informed of the situation at the time. Mike does not recall hearing anything about this last year. Scott feels parents should be notified that their children were exposed to this mold and should be kept apprised of the situation. If any child has a mold allergy, this could be a problem.

Mike questions why an engineering study was not included in the budget. It doesn't appear that there was any follow through to the principal's complaints. Bill is not sure why this item was not on the monthly report to the school board with monthly updates given. He just found out about the situation during his 3rd board meeting. He suggests that it may have been an oversight during the budget process. Mike comments that after reading the school board minutes, he does not agree this was an oversight.

Tom comments that the cement block is not a structural element and that there is a steel skeleton. He feels they should removed an entire section of wall to investigate further. They need a larger sample, rather than small drill holes. He would like them to look into the whole wall to find the root of the problem. There may be deterioration within the wall itself. They could be throwing good money after bad.

Bill reports that LeeAnn Blastos will be retiring at the end of the month. She has recently had some severe health problems, requiring much testing and hospitalization. Melanie has picked up the slack. There were many items that LeeAnn had been managing and now Melanie must take over these duties. The self-funded health insurance is one of those projects. Apparently Paul, on behalf of the Town, worked with Nikki from Slawsby Insurance, The Minuteman Group when the Town switched their insurance. LeeAnn had been working with Nikki, who had requested school roster information be submitted to help with generating a quote. Nikki has now left the company. Melanie has spoken with the President of Slawsby Insurance, to pick up where Nikki left off, yet she has not heard back from him at this time. Bill explains that his comments at the previous meeting regarding Brookline's rationale for not going with the self-funded insurance may not be entirely correct. He reported that they determined that switching insurance would not be cost effective, yet actually their quote indicated that the cost would be almost the same. Paul stresses that while there may not be much cost savings initially, they would also have the ability to retain unexpended premiums with the self-funded insurance. This is

a substantial factor to consider. There are the core administrative costs, then any potential payouts. Any payouts that are not used, are then retained by the town, which can be used in the future to offset copays or add more services. There are many options.

Bill explains that the SAU offices are upgrading their software program. They are switching from a DOS based program to a Windows based program. This new program will have full time equivalent tracking features. Originally LeeAnn had planned to work 2 days per week to assist with the software transition, yet with her absence he is not sure how this will play out. At this time LeeAnn is completely unavailable. He is attempting to get a copy of the new software manual to review. There maybe some self service reporting that would be available. The finance office should have access to all data while school board members could have the ability to access a filtered amount of data. Chris comments that he has reviewed this new software and it does indicate that it will be Excel compatible, which will allow the users to manipulate the data to their needs. Bill states that the software does have customized reports and he would like the ability to create personalized reports as well.

Chris points out from the February 9, 2006 school board minutes there was a discussion regarding space needs and classroom issues at the Upper Elementary. This prompted a discussion on retaining the Farley Building for kindergarten and preschool overflow. He questions what is really happening with the Farley Building. July 1st is when the coop will turn the building back over to the Hollis School District. The building will need maintenance and upkeep, yet there is nothing in the school budget for this. Bill explains that Steve Simonds and Tom Enright from the coop school board attended the last Hollis school board meeting. They presented plans that would handle the coop's needs for parking, as well as correcting the lot line issues, which includes paving the bus route and a parking area for teachers.

Melinda stresses that before they make any agreements with the coop, the school board should discuss the situation with the Selectmen. There are many legal issues involved. Chris asks if the school board plans to pass this building over to the town or if they will retain ownership. Melinda stresses that there are issues regarding Hollis taxpayers not wanting to give land to the coop. Bill mentions that the school may want to lease the building to the town for \$1.00 for now, as they may need to use it for a school in the future. Chris comments that from a BudCom perspective, this building needs a significant amount of work. It does not make sense to hold on to this at this time. Melinda comments that the school board has been dragging their feet on this issue for the last year. Bill states that there is much concern regarding space issues. There have been many discussions regarding the Farley Building, yet it is obvious that they cannot use it at this time.

Chris points out that the school does not have a line item for maintenance of this building, yet the town does have a budgeted amount for this. Bill states that they want to see if the Selectmen would be willing to allow the school to use the building in the future if they have space needs. They do not want to give up all interest in the building. Melinda points out that prior to the March town meeting, the school board had indicated that they have no interest in this building. Mike states that he does not believe the BudCom would support using this building for the preschool. Bill states that the school board felt that if the town wanted to use the building, the town should pay for the renovations, yet if the school had a need in the future they would like to have the option to use the building. Melinda states that it would be more likely that they would use portable classrooms before they would ever use the Farley Building. It does not make sense for the town to renovate, get the seniors or town clerk established in the building, only to move out for the school to use.

Bill states that during the June 8th school board meeting, one action item was to schedule a meeting with the Selectmen, unfortunately the wall issue has distracted the scheduling of that meeting. Mike stresses that there is not reason for them to talk at all. The school board should just say "please take it". He does not support using this building for any elementary use at all. It was barely suitable for high school students. Bill stresses that they don't want to lose all access for this building. There may be some combined use for the building. Tom questions what the town is supposed to do if they spend the money to fix it up for their use, only to have the school step in because they want to use it now.

Chris would like a report on school space needs problems. Bill states that some rearranging of classrooms has been done to allow for utilization of a smaller classroom. This only affected the 5th and 6th grades. Chris points out that the 3rd and 4th grades look large on the chart. He asks if this will cause problems as they move up to higher grades. Bill states that the principal feels she can handle these students. They do not see an extremely large bubble moving up.

Bill explains that when the coop met with the school board, the letter of intent was focused on accomplishing their needs for paving access around the center island and near the fields for parking. This will also benefit the recreational needs for the town. Mike feels that if the school board thinks the building will be useful for the school, they should keep it and make an agreement with the coop. If they do not see this building as being useful to the school, they should give it back over to the town, then let the town decide on any agreements with the coop. Melinda mentions that the coop presented plans to the Selectmen back in March on the assumption that the town would be getting the property. The Selectmen stated that it would not be in the best interest of Hollis taxpayers to transfer any property over to the coop given the current status of the coop. The discussed keeping this as Hollis owned land, with a possible lease agreement with the coop for parking/driving. This way if Hollis has future needs, they will not have to approach the coop for approval. Bill stresses that the presentation from the coop to the school board was regarding an agreement, not a transfer of land.

Scott leaves at this time.

Mort stresses that Hollis needs to increase their foreign language program at the elementary level. He mentions how Boston is now teaching Mandarin Chinese to their elementary children.

FTE Spreadsheet

Melinda mentions that she found a hard copy of the final version of this spreadsheet, however she cannot locate an electronic copy. She felt that LeeAnn's office had the most up to date electronic version. Bill states that he has asked the SAU to complete this form. He will be checking with the new software company to determine if this can be easily generated with the new program.

Bill points out that this spreadsheet has columns of "job codes" with rows labeled with "rolls". Chris explains that 1 individual teacher could be included in multiple columns. For example, the nurse would be included as .5 for administrative and .5 for teacher. Bill states that they cannot split job codes. Mike agrees that they cannot split job codes, but they can split responsibilities. Melinda states that as long as they stay within the professional union, they can have 2 job code. One person could be a curriculum coordinator and a teacher.

Tom questions why this is being discussed. Mike explains that the BudCom wanted to know how much of the budget goes to the kids, special education or to administration. They want to know if the money is being split appropriately. Tom states that it sounds complicated. Mike disagrees. Special education has historically been 11% of the budget, yet is now up to 18%. He questions whether they are spending the money in the right places, which should be for the kids. Melinda explains that they created a spreadsheet, had the SAU review it and made appropriate changes. This was used 2 years ago, then asked last Fall for this to be filled in again, yet this did not happen. They have essentially lost one full year in the process. There is now a new school board, a new finance person and a new software program. It is like starting over.

Bill states that they need to begin by building the report by making choices in order to set up the software program to create exactly what is needed. Once this is done, it should be easy to continue. Mike states that they do not want all administration lumped into administration and all of special education lumped into special education. These need to be split out to what is really happening. Melinda explains that they placed the nurse under regular instruction, as they felt she had direct working with the students. Bill argues that if they must do this work manually, it becomes very labor intensive. This is a problem with the BudCom's expectations vs the SAU capabilities.

Melinda states that she would like to meet with the new superintendent, the school board and Melanie regarding how best to obtain data from the SAU. There is much information that is needed for town meeting and the district meetings, yet the SAU makes it difficult. Mike comments that this year they were very sympathetic to LeeAnn's situation. Bill states that if the data is defined and used from year to year, this can be done as a predefined report and generated easily. He has had discussions with the SAU office regarding the software transfer and how necessary data sharing is. He asks the BudCom to give him a list of their needs, that way he can make sure the new software will accommodate this. Melinda explains that when she is making slides for presentation at town meeting, such as budget/tax impacts, she needs to physically sit on the phone with the SAU office while creating the data. She has done this in the past, yet this year was told that she must go through the school board representative to request any information. This can become very time consuming. If the information obtained isn't quite right and she has questions, it can be difficult to go back through this same process for each question.

Mort points out that the SAU prepares one set of reports for each school district. The BudCom should not make things too hard. Melinda argues that they also have a responsibility to the taxpayers and need to present potential tax impacts, but this cannot happen without the cooperation of the SAU. She needs both Hollis and coop data for these presentations.

Formula for budget guidelines

Mike feels the BudCom may have made an error or mistake in last year's formula by not accounting for bonded indebtedness correctly. This allowed the budget to grow more than it should. Paul mentions that they did correct the veterans tax credit and how this is calculated. Mike states that new positions were also handled wrong. When calculating the increase, new positions should be included for the full year. The same goes for bonds, these should be calculated for a full year payment. Chris states that there is also an increase for inflation and growth within the schools, yet no adjustment was made for this.

Mike states that they should always use the August CPI in order to maintain consistency and the October 1st FTE for enrollment. Melinda points out that the budget is for the projected population. Mort comments that the budget is never corrected for actuals. Mike agrees that they look at the previous year's budgeted amount rather than looking at the previous year's actuals when preparing the new budget. Chris comments that the budget is based on enrollment, which is based on projections, yet the actual enrollment may be very different. The budget is never changed to reflect the true enrollment.

Mike would like the following changes to the budget formula.

- Use full year for new employees, regardless of date person is hired.
- Use full year for bonds.
- Use prior year actuals to base any increases, not the prior year proposed budgets.

Chris feels they should make changes to the formula in order to hold a firm cap, regardless of the formula. Mike comments that the voters have chosen a level of service and they need to allow for this same level. Chris argues that they need a level tax structure that does not force people out of town. Mort points out that the schools have always ruled the budget. Last year was the first time the people voted down what the school wanted.

Melinda explains that with new positions the delta for the portion of the year when the person was not hired was added back in at the end. These positions were approved the year prior and these are mandated expenses approved at town meeting. Mike states that when they go to town meeting

for a new police officer, the full year equivalency for this position should be included in the full budget, regardless of when the person gets hired. Paul argues that the warrant article clearly states the full impact to the budget, not just what the actual will be. Mike feels that when calculating the CPI, the full year salary should be included. Melinda argues that when looking at actuals, they will only be showing a partial year. This will be skewed. The numbers should correctly reflect this expense.

Melinda states that if a new officer is hired, the partial year is \$20,000 in the budget. \$60,000 will be used with the CPI multiplier and the other \$40,000 will not show up on paper. She comments that this becomes confusing. Mike feels that if they are using 4% for CPI, this should be used on the full \$60,000. Melinda agrees that it may work, but will become complicated, especially when board members can potentially change from year to year. Paul argues that during town meeting, they are clearly showing what the taxes will be for the partial year and for the full year. Melinda agrees that the public is being informed. Mike agrees that they are disclosing the information to taxpayers. Chris disagrees, as the budget is artificially lowered and they are not showing the actuals.

Melinda points out that they recently had 3-4 years worth of land purchases hit all at the same time, rather than gradually. This also hit at the same time as the middle school addition bond. Chris adds that there was also a reduction in State aid at this same time. Mike stresses that the CPI should not be included in the bonded indebtedness. They need to show payments.

Chris feels the school should separate out new programs into individual warrant articles. This allows voters to decide on these new programs and/or positions. Mike strongly supports this idea. If the voters approve a new program, they feel more obligated to continue supporting this, yet may not be as supportive if they didn't approve it in the first place.

Melinda explains that this past year they decided to remove the debt service for the school from the formula, since their debt amount was reducing. They had previously used a higher debt in the calculation, then using this extra money for other items. She agrees that this should be done this way for the school, but should not do this for the town. If any new debt service is included, it should be within the formula. Any existing debt should be removed. Mike agrees.

Mike asks Melinda to generate a formula that makes sense for both the town and the school. He does not want anything too complicated. A basic formula that people can live with, such as, $CPI + enrollment$ increases. Melinda states that this past year they looked at doing $CPI + increase$ in projected valuations, yet they didn't have any increase to valuation. She agrees they need to be strict with budget requests this year, even if it is hard on the school departments and town departments. She agrees they must meet a level of service, yet they cannot allow services that the people cannot afford. Paul asks if town departments should suffer and possibly lose services to allow land purchases that the town voters have approved. Mike states that they have an amount of money for land purchases. As payments for the bonds goes down, the town can purchase more to level out the payments again.

Mort comments that they can always purchase land without bonds. There are many properties around town, where the owner does not need the money. The town can make payments to the owner and if the town stops making these payments, the property reverts back to the owner. Melinda stresses that this sounds dangerous. Mike feels that this sounds like a bond, as it is a multi-year commitment. Mort disagrees. This is a year by year process. The town cannot commit beyond one year. Melinda stresses that this would not be fiscally responsible. If the town were only \$200,000 away from owning the land, there could be a new group of residents at town meeting to vote it down, then the town would have lost all monies previously paid towards this land.

Melinda suggests having separate line items for land purchase debt service and town facilities debt service. Paul asks if the cemetery land should be included in the land purchase line item. Melinda states that the distinction is between conservation land vs. town facilities. She feels the cemetery should be under municipal facilities. As municipal bonds go down, this will help the taxpayers. As land bonds go down, it may offer an opportunity for more land purchases.

Tom stresses that the big problem is that they need people to actually attend town meeting. Chris believes many elderly residents in town may be reluctant to attend school meetings, as they feel others will look down on them for not supporting the schools. They would rather not attend the meeting than feel criticized. Tom adds that historically the school budgets have always been approved, therefore most people do not bother attending since it will pass anyway.

Bill states that they will be asking for prioritizations of "must have", "need to have" and "like to have". Mike agrees that principals and department heads need to set these priorities before presenting to the school board or selectmen, and before presenting to the BudCom.

Bill agrees that growth within the school should be a contributing factor to the budget. He questions whether growth within special education is also taken into consideration. Chris explains that special education is typically removed from the calculation, as they have always argued that this is out of their control. Mike disagrees this is beyond their control. If this has grown from 11% of the total budget to 18% of the total budget, this is too much. The school always tries to bamboozle the BudCom with the idea that this is out of their control. Chris mentions that he read the SAU minutes with a discussion they had with Bob Kelly. He is proposing a new program that will place students within categories of special education vs. regular instruction to prove that they are doing the right thing. This gets reported back to the government. This would help to identify students before entering special education. They do not want to be penalized for having too many or not enough in special education.

Bill explains that this new program is early intervention and intended to keep students out of special education if at all possible. They need to

demonstrate the effective use of the special education program and if all IEP milestones for the child are being met. They will be utilizing Northwest Evaluation Assoc., which is a computerized testing that is responsive and will fine tune exactly where the child stands. Mike stresses that what they need are great teachers. Bill argues that this will provide feedback for the teachers. Mike again stresses that good teachers do not need this.

Community Advisory Committee

Mike explains that he received a request from a resident to form a committee to investigate whether it is best for Hollis to remain as part of the Coop; both from a financial and educational standpoint. He received this request from John Eresian, perhaps it would be better to have him meet with the BudCom as part of this discussion. Chris mentions that the SAU board proposed a committee to look into the future of the coop. They will be laying out this committee at their next SAU board meeting. Mort stresses that this will all change based on apportionment. Chris states that one major issue is what to do with existing facilities should Hollis not remain part of the coop. It would take a 4-5 year process to split the coop. Melinda agrees that Hollis needs to look ahead to the future.

Melinda states that if the BudCom were to create this committee, they could focus the study on the financial aspect and from Hollis' perspective. This should be a Hollis only committee, to gather Hollis' point of view. She agrees that each district should be reviewing this issue. Mort comments that it will not make any difference, as they will have to pay Brookline if they split. Mike agrees that the question does merit some consideration. Melinda points out that Brookline's investment in the middle school is still small at this time.

Summer Schedule

Mike mentions that the BudCom usually takes the month of July off. The August meeting he would like to have the school's end of year figures and to see any encumbered and unencumbered figures. Debbie points out that the previous administration refused to submit this information in August. Mike stresses that he would still like to see this.

Chris moves to skip the July BudCom meeting. Seconded by Mort. Motion unanimously approved.

Tom moves to adjourn. Seconded by Chris. Motion unanimously approved.

Next Meeting will be held August 22, 2006 at 7:30 PM in the Town Hall Community Room

Meeting adjourned at 10:00 PM.

Respectfully submitted,

Deborah Adams, Secretary