

BUDGET COMMITTEE

Minutes of August 22, 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; Mort Goulder, Tom Jambard, Mark Johnson; Deborah Adams, Secretary

Also present: Paul Calabria, Finance Director; Don Ryder, Selectman & State Representative

Town Report

Melinda reports that all is going well with the Town. Some items are over budget, yet these are paid in bulk and will even out by the end of the year. They are keeping a close eye on the police, fire and dpw budgets. Chris comments that the reports indicate that employee benefits are at 100% already. Paul explains that these are funded in November/December with a better rate and the trust is repaid later, based on actual claims. Chris points out that insurance is also high for this time of year. Paul states that the bulk of payments are made in June/July.

Mike asks if there will be any changes in revenue, beyond the estimates. Paul indicates that he will not know until the State releases the revenue sharing figures for hotels. This will not be known until the 4th quarter. He believes this may be down. Mike comments that the tax rate is set prior to this time. Paul explains that this is done with estimates. Typically they use the previous year's figures. He stresses that he has always been very conservative with revenue estimates, especially not knowing what the 4th quarter will bring in. Mike comments that there are reports of many towns experiencing problems with their pensions. Paul states that Hollis is part of the State pension program, therefore the Town is okay. It is not fully funded, but slightly under. Don explains that this mainly effects the medical portion of the stipend, due to the investment performance. Mike comments that many municipalities have way overexpended their pension plan.

Tom questions why property taxes shows as 100%. Paul explains that they do not budget for taxes, therefore this always shows as 100%. They have actually received 96%. Mort points out that many seniors cannot afford their taxes. He feels the town should take a lien on their homes and charge town rates for just the interest. Mike asks if this is legal and if the town would have the authority to do such a thing.

Chris questions that land use change tax. One report shows \$184,000, yet another report shows half of this. Paul explains that the first report shows the actual revenue generated by the land use change tax, the other report shows half of this going to the Conservation Commission and the other half going to the general fund. Chris comments that this total amount is at its highest point since 2003 and this is only a partial year.

Mark asks if the town has caught up with its vacant positions for police and fire. He recalls that this was causing higher overtime expenditures. He also asks if there has been any change in the employment level at communications. Melinda states that they are in the process of hiring an assistant communications manager, yet she cannot go into further detail at this time. Mark asks if this is a new position or merely a change in rank for an existing position. Melinda indicates that she cannot discuss it at this time. She mentions that they have recently hired 2 police officers. One has recently completed the police academy and other is still in the academy. There are still 2 openings that need to be filled. Mike asks if they will continue hiring junior personnel for these positions. Melinda states that they are hoping not to, however it all depends on the applicants. At this time they are not going to replace the detective that passed away over the summer.

Mark asks if the new hires have helped out with the overtime. Paul indicates that once both are out of the academy it will begin to help, however while the overtime budget may be elevated, the normal salary line item is way down. This balances out. Mark comments that he did not realize there were any openings in communications.

Chris mentions that Officer Tracy Dunne has been selected as the School Resource Officer. He questions when this will go into effect and if this will create a vacancy to the normal police roster. Melinda states that this is part of the new hires. This was discussed last year during budget season. Mort asks if Brookline is paying enough for communications. Melinda indicates that this contract has changed over the past few years to make it more equitable. Brookline has accepted the contract for the current year.

Mike asks if school funding has been changed. Chris recalls Dick Drisko had previously reported to the BudCom that he anticipated a 15% reduction occurring each year. Mike recalls that they were told that this may or may not happen. Don states that he heard that this year's school funding will be that same as last year and will drop again after 2 years. Mike questions when this is determined. Don explains that this is set during budget session. It was already determined in 2005 for the 2006-2007 budgets. Chris reiterates that Dick Drisko reported a 15% reduction each year and not a 2 year cycle. They have already had 2 years in a row with a 15% hit. He would like to be able to anticipate this.

Paul states that the Selectmen would like to pass on some information regarding 2007 and 2008 budget issues to the BudCom. Health insurance is always a questionable item, whether self funded or not. The town also has stormwater mandates from the EPA that must be funded. Retirement figures were released on July 1st, which is a statutory requirement that this be adjusted every 2 years. Communications, town hall and dpw will all

see 28% increases, police will have a 22% increase and fire will have 10.8%. These are all increases over the existing., which will be approximately \$50,000 more for the year. He stresses that these are all unfunded mandates.

Paul adds that they have had some large workers compensation claims this past year. A police officer was hit in his cruiser just before Thanksgiving last year. The town is still in litigation to recover these funds. Best case scenario – if other driver was fully insured, the town should recover all expenses. They are currently in court to get this back. They also had a fireman fall off a roof during a mutual aid call in Massachusetts. These claims are over \$100,000 and there is no relief for the town on this one. They should expect a big hit in 2008 for these. Mark asks why Hollis should pay if the accident occurred in another town. Paul states that it was a mutual aid call and this is part of the mutual aid agreement.

Paul mentions that there may be increased expenses due to fuel prices. The town will also be looking into renovations at the Farley Building, the library and town hall. Mike asks if they are attempting to get sympathy for these items. Paul states that he is merely giving the BudCom a list of caution items. Mike states that he may be sympathetic, but he cannot allow taxes to be raised.

Mort asks if the Selectmen could take a firm position on apportionment. Melinda states that she will discuss this with the board.

School Report

Bill states that the school board has voted to convey the Farley Building and land to the town. The town has put a condition on their acceptance, which includes 6 maintenance items. A letter has been sent to the Coop chairman listing these items. The Coop has agreed to approve up to \$5,000 for these items. One major item is grading of the north driveway entrance for buses. They are currently making progress on these 6 items and expect to have them completed by September 1st. Attorney Bill Drescher will be drawing up the documents for the transfer. Melinda explains that the reason for the \$5,000 cost is that they will be using in-house labor for much of the work and since the Middle School already has a dumpster, there was no need to rent another one. The dpw services were offered to them, yet they chose to use their own personnel. Arthur LeBlanc will be monitoring the progress. Bill adds that this information was included in the letter to the Coop.

Mike thought they were going to keep the Farley Building on ice for now, until they decided what they planned to do with the structure. Melinda agrees that this is the plan, however they do need to maintain the building at a minimal level. Once the transfer is complete, they plan to seal the windows to help with the heating. They plan to have an engineering survey performed, with structural engineers to determine the scope of work. Chris asks if they will have information prior to town meeting. Melinda does not imagine they will be asking for money for this building, other than for simple maintenance.

Mort asks if they have considered leasing the building to a developer to fix up and lease out. Melinda indicates they plan to have the engineering study performed, then form a committee to discuss all options. The committee will include a member from the Historic District Commission, Heritage Commission, fire department, selectmen and citizens. She stresses that a private entity may not want to sink this much money into a town building. They also need to maintain access to the middle school. Paul mentions that he recently had a town resident inquire about the possibility of draining all the water out of the pipes, which would help to save money on heating costs. Melinda states that there would be other problems with doing this. They do need to minimally heat this building. Mike agrees they should drain the water from the system. Melinda explains that the building is very wet inside and needs to dry out. If they merely drain the water and do not heat the building, the building will never dry out and freezing of the wet areas could cause additional damage.

Bill cautions that he does not want to give a false impression about this building to the public. They will have a dehumidifier in the basement that will drain into the sump pump. This situation works well at the library. Melinda adds that this is one condition that the Coop must correct. Currently the sump pump sends the water back into the building. The piping needs to be extended, which will help the situation.

Mark mentions that there had previously been discussions about the lot line, as the Coop wanted to use this space for parking. He asks if these issues have been resolved. Melinda indicates that they have not been fully resolved. The town will be accepting the transfer with no conditions regarding the lot lines. Bill explains that there is a teacher's parking area that the Coop would like to pave. Melinda adds that this area is near septic and wetlands. The selectmen agreed that the driveway could be graded, but not paved. Debbie mentions that there are stormwater runoff issues that would need to be addressed in this area. Melinda states that they will make decisions on this after the transfer has been completed.

Mark asks if the roof and door problems were included in the \$5,000. Melinda explains that the roof is being repaired and doors/broken windows are also being fixed. Mark questions how this can all be accomplished for \$5,000. Bill states that the issues sound worse than reality. The roof problem is just a small animal hole. The roof itself is fairly new and most of the windows are new. The broken windows are mostly on the basement level. The maintenance issues can be handled with a carpenter. Melinda adds that all door locks will be upgraded. The dpw crew will be inspecting the property regularly, most likely 3 times per week. They could always install motion detectors. The issues being dealt with now will make the building weather tight, but it is still not in good condition. She stresses that it is deplorable that this building has not been maintained properly over the years. The town hall is only 10 years newer and is in much better shape. The Coop did not take good care of this building over the years they leased it.

Bill explains the progress with the water in the wall problem at the Primary Elementary School. There was an article about this in the paper last week. As of June 30th, the school board officially hired Hutter Construction to repair this situation. \$98,417 was encumbered from contingency. Hutter started working on the issue July 10th, at which time they gave a proposal to not exceed \$110,950 to fix this problem. The school board voted

to approve this proposal. The work is currently in progress and will be completed by Fall. Apparently the horizontal raked joints were deep and flat, which allowed water to seep into the wall. It seemed to draw the moisture in. It is hard for paint to seal these joints entirely. There were many factors involved. Chris asks if this had anything to do with the roof. Bill explains that they performed a thermal scan of the entire building and no leaks were found.

Bill adds that Hutter has guaranteed their work. The best solution was determined to be removal of the insulation within the walls. The walls will then be allowed to dry and the exterior holes patched. No insulation will be placed back inside the walls. Instead rigid wall insulation with a vapor barrier will be installed on the inside of the walls, then wall board added, and paint. Chris questions whether this problem will occur on other walls in the building. Bill states that it appears to only be an issue on the northeast walls of the building, where there is less sun. He points out that this past Spring the area experienced excessive rainfall. The thermal scans showed no sign of moisture in other parts of the building.

Bill mentions that there was some additional costs involved, as they had to remove the baseboard heating to allow room for installation of the rigid insulation. Once the baseboards were removed, it was realized that the piping was in need of replacement. Granite State Plumbing and Heating has been hired to look at the entire system. They are replacing with copper pipe.

Bill explains that as of June 30th, the school was at 98% of their budget. The audit was completed during the 1st week of August. The fund balance is at \$8,549, with collected revenue off \$115,650, which was mostly IDEA grants for special education. The unreserved fund balance is \$124,199 that will be returned to the town. This is after the encumbered items for the wall repair. He mentions they also had some maintenance items that were done; ladders installed up to roof.

Chris asks if the boiler situation has been settled. Bill indicates that this is still in litigation with the insurance company arguing that it should be covered as a maintenance issue, while the maintenance contractor argues that the system was maintained properly.

Mort asks when the school board will consider bringing Hollis into the modern age with foreign language. He points out how Boston is now starting to teach Chinese in the 1st grade. He stresses that it is a proved fact that children can learn foreign languages better at an earlier age. Bill mentions that Hollis does have all students taking Spanish or French at the elementary level, beginning at 1st grade.

Apportionment Committee

Mort comments that the committee has been asked to look outside the box. To be creative. He has no problem with this. He will just say "No" to anything other than 100% adm (average daily membership). He does not want to subsidize Brookline anymore. The committee will study the issue and he will just say no. By consensus the committee will create a warrant article, which must be supported by the Coop school board. The problem is that Brookline residents get out and vote, while Hollis residents do not. The committees will advise the school board, yet the school board will do whatever they want anyway. Don comments that Brookline needs to say Yes and Hollis needs to say No.

Mark feels that Mort has a good handle on this topic. He asks if this study committee is being chaired by the Coop school board chair. Mort states that it is being chaired by another Brookline resident. Mark is concerned that this person who asked the study committee to look outside the box, is also the same person who previously stated that it does not need to be fair. He does not like this. He feels Hollis needs to take a firm stand on this issue. The town needs to protect its residents. He is seeing a fault line with the cohesiveness in the Coop. Just this past March the Coop budget was defeated. People are finally sending a message to them. It appears that Hollis voters are frustrated and this is becoming more evident by the outcome of the vote. Mort points out that this was the first time the voters supported the BudCom and not the school board. Bill mentions that there were only a small number of voters, which is not a good representation of the towns.

Mark stresses that people need to vote on the merits. Mike states that many people in Hollis feel it is time for the Coop to be over. This apportionment discussion is not the only issue. Chris agrees the town does need to study this concept. He has spoken with Dan Peterson, who feels that discussions should begin regarding the future of the Coop. He has brought this to the attention of the Coop and the SAU. Mort stresses that the first step should be making Brookline pay for their fair share. Melinda recalls that the last time they voted on setting the apportionment formula, not many Hollis residents came out, while more Brookline residents voted. This time Hollis taxpayers are upset over their tax bills, therefore she anticipates a better turnout.

Mike has heard many people commenting that there is no need to build any more school facilities in Hollis. Chris agrees that the BudCom should take a position on apportionment.

Formula for budget guidelines

Mike states that new positions should be included for their entire year's salary, regardless of when the employee was hired. They need to account for a full year. Melinda does not agree. Mike feels that the budget tends to increase too much if not handled this way. Tom recalls that the warrant articles are for the full year. This is very clear. Melinda explains that the delta of the cost of the new employee is added back in after the percentage multiplier has been applied. This should not be removed. The year that the full cost of this employee is expended, the full amount should be used. They should not be penalized the year the position is added. Mike agrees that this is a good point.

Melinda explains that when the town pays 2 months worth of salary and benefits for the first year, the next year they are only adding 10 more

months, rather than a full 12 months. If they use the formula on the full year, they will be getting 3% on 12 months, rather than on 2 months. Mike comments that he was not figuring this to be included as part of the base. Melinda argues that if they include the full year and the person is not hired, then the town is being penalized \$65,000 potential budget for the year. Mike stresses that the BudCom agrees to allow an increase based on the rate of inflation, yet by the end of the budget process the increase has become 12%. Paul explains that they had \$124,000 delta for full time employees. They had a prorated share in 2005, yet had the full expense in 2006. They simply cannot absorb this much.

Mort points out that they always claim a need to hire a new employee to help save on overtime. The difference should be this same amount. Melinda agrees to use the full amount, but not until the expense has actually occurred. She recalls the school argued that they had \$250,000 for new salaries and cried that they could not include this in the budget target. This started the trend. She agrees that both the town and school are causing taxes to go up. She feels that any increases within negotiated salaries and new hires should be included in the operating budget. Mort feels they need to inform the voters of the full cost. Melinda points out that this information is clearly shown in the warrant article. The full year's salary, benefits, uniforms, etc.

Mike asks if they should be using the previous year's budget or actual expenditures as the base. Melinda points out that the town does not have actual figures until January, while the school does not see this until July. Paul explains that many department heads wait until December to see how the budget is going before they spend money on items that they had planned for. Melinda argues that using actual figures will create the mentality of "spend or lose". If they base it on the budget, this will not be the same thought process. This is healthier. Mike agrees.

Mark comments that inflation is not the only factor that drives increases to the town. Population growth must also be accounted for. The fire department is increasing and changing based on the growth of the town. They do not have just small town volunteers anymore. The roles and staff are changing. He stresses that they cannot keep the mentality to increase only by inflation. There are many items in the budget that exceed the rate of inflation. Personnel costs rise faster, insurance, retirement, etc. Bill adds that the cost of maintaining old buildings is also a factor. Mike stresses that they cannot continue raising tax rates either. Melinda agrees with Mark. The fire department has had to adapt to the changes in town demographics. Residents call the ambulance for more issues than before. There are more elderly residents in town requiring more services. This has caused the change to a more full time department, as volunteers are not available anymore.

Chris comments that the Office of Energy and Planning at the State gives population estimates between censuses. Mike states that if the town population is increase due to more houses, then the tax base should also increase accordingly, which is taken into account. However the tax rate is not increasing at the same rate as the tax base. Mark does not see how the tax base is taken into account when setting the budget. Melinda states that if the increase in valuation is the same as the CPI, then it evens out.

Paul points out that both retirement and workers compensation will be going up and these items are beyond the town's control. Mort feels these are controllable. Tom firmly disagrees. Chris feels the town and schools need to look at productivity controls.

Mike feel that the full amount of bonded indebtedness should be used. Melinda argues that this does not usually hit all in the same year, it is sometimes a year or two later. The town had 3 large purchases that all hit in 1 year. This is explained in the budget, but is not felt until it hits the tax bill. Mort argues that they must set a budget that takes this into account. Chris feels they should add back in a full year's calculation of bond.

Mike stresses that there should always be a separate warrant article for new employees or programs. Melinda points out that the town already does this, yet the school does not. Mike stresses that he would like this for both.

Mike states that the existing debt for the schools should be removed from the formula. Melinda explains that this has already been done.

Mark stresses that for 3 years the BudCom has supported more spending than what the Selectmen recommended. He hopes that the BudCom will not tell the current Selectmen that they are spending too much, when they attempted to slow down the budget, yet had the town meeting outspend their recommendations. He would like to give reasonable recommendations. The Selectmen have proven they can do this. Their proposed budgets were responsible.

Bill questions how they can use the full salary for new positions when the employee was not hired until half way into the year. If the school hires a teacher for 50% of the year and they account for the full year, what happens to the other 50% that is not being spent. Mike explains that they are merely correcting the formula. He stresses that for 10 years they had a good formula, but now that has changed. Melinda points out that for those 10 years the town did not have a new high school, or an addition to the middle school, renovations/additions to the police and fire stations or land bonds. These big items need to be accounted for. She explains that all new bonds for land purchases are for 30 years and facility renovations/additions are for 20 years. The previous land bonding hit hard, as these prior notes were for 15 years. This has since been changed to allow the payments to be spread out over a longer period to allow for future users to help pay for the privilege. The facilities need to be shorter as they will require maintenance over time.

Chris points out that the loss of State revenue has gone from almost \$3,000,000 to \$1,500,000 and may go lower or be totally gone. This hurts. Revenue sharing may also be lower than usual. These issues all need to be addressed, yet are outside town control. As more properties are constructed, this may or may not help with taxes.

Mort points out that if a member of the family has lost a job, the family must cut back on spending to afford the house and utilities. The town must also do this by cutting back on spending. Chris mentions that most of the feedback they received on the Strategic Planning Committee's survey

commented on taxes. The BudCom must give guidance to the town and school for their budgets, and growth and CPI are the only items that can be somewhat controlled. They also need to look at the overall impact to the tax rate. He points out that people are not always cognizant to what they are voting on. Many residents are having a hard time, yet do not want to appear as anti-education or anti-town services. If taxes go beyond CPI and growth, the budget must be cut to a reasonable level.

Bill asks what the survey responses indicated about the level of town services. He points out that during town meeting the people vote for more stuff. Mike asks how many responses they received. Chris explains that one survey was sent to every household in town. Melinda states that so far they have tabulated 549 responses and have approximately 300 more to go. This is approximately a 30% response. Mike mentions that they should have asked on the survey if people had every attended town or school district meetings. Bill comments that it will be interesting to see the results. To compare the "we want" vs. the "we should save". Mark comments that it appears they received more responses than attendees at town meeting. Melinda stresses that the town budget accounts for only 17% of the entire tax rate. People need to not only attend town meeting, but they need to attend school meetings as well. The Selectmen worked hard last year to reduce the budget. Even though benefits increased, they asked the department heads to reduce other areas to keep the increase under 3%. Paul points out that the Management Committee recently revised the fee schedules for all departments, which will help with bringing in some additional revenue.

Mike states that the BudCom will make a final decision on the budget formula at the next meeting in September. He urges all members to think of the items discussed this evening. Paul mentions that the CPI is expected to be at 4.1%. It has been running at 3.8%. Mike points out that they also need to use the October 1st enrollment figures for the school. Chris asks if anyone has ever gone back to determine if the schools actually reached this increased enrollment.

Budget Schedule

Debbie mentions that the SAU has given her a preliminary schedule for all meeting from now until the annual meetings. While the Coop annual meeting is scheduled the week prior to town meeting, the Hollis school district annual meeting is not scheduled until 2 weeks after the town meeting. This creates a problem with the date they have chosen for the public hearing during the last week of February, which is typically toward the beginning of the month. Having a public hearing this late creates many problem with getting the information to the printer for publication in the Town Report. She stresses that the SAU has recently, over the past few years, had the attitude of "oh well, if the information does not get into the town report, then people can get it during the annual meeting". This causes problems years from now when people attempt to do historical research from the town reports and the information has not been included.

Mike comments that he would prefer to have the Coop and school annual meetings held within the same week and after town meeting. Chris mentions that the Coop annual meetings does not give an entire picture of the budget and how the other portions of the budget will affect the tax rate. He agrees they should be able to request that the Coop annual meeting be held after the town meeting. Tom states that the Selectmen should request this. Mike does not understand why the school meeting will be held so late this year. He feels that the more time that is allowed between these meetings, causes less attendance at the end meetings. Melinda agrees. Once the school meeting date comes around, people feel they do not need to attend and it will be approved anyway.

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

Next Meeting will be held September 26, 2006 at 7:30 PM in the Town Hall Community Room

Meeting adjourned at 9:35 PM.

Respectfully submitted,

Deborah Adams, Secretary