

BUDGET COMMITTEE

Minutes of August 28, 2007

Meeting was held in the Community Room, Hollis Town Hall and was called to order by Chairman, Mike Harris at 7:30 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; Mark Johnson, Selectman

Town Report

Melinda announces that the Selectmen have received \$41,000 from FEMA for reimbursement for overtime, equipment use and other expenses related to the breaching of the Hayden Mill Pond dam. They will be holding a public hearing to accept these funds. This covers 75% of the cost, yet the Town may also receive some additional reimbursement from the State. Chris asks if some areas affected by the floods were not covered by FEMA. Melinda explains that all special hours, overtime and equipment use that was specifically storm related were covered. Ames Road was damaged by the breach of the Mossman dam. They have filed for reimbursement funds for this, yet they have not received a response so far. The northern end of South Merrimack Road was damaged, yet plans were already underway for this culvert replacement, therefore FEMA did not cover these costs. The damage sustained to the southern portion of this area has been filed with FEMA. Paul mentions that he spoke with the FEMA Project Manager about the status of their claims. The Ames Road paperwork was filed at the last minute, as they needed additional time to gather all of the necessary information. While they have not received word on this claim, the Town has been paid for 75% on all the other claims.

Chris heard comments that the remainder of the costs may be covered 50/50 by the State. Melinda states that she was involved in a conference call with the Governor and FEMA, where it was stated that the amount of State reimbursement has not been established yet. Historically this has been around 50%. She is hoping to receive 50% of the remaining 25%.

Melinda reports that the new Town Administrator, Troy Brown will start on September 10th. Cath Hallsworth will be leaving on August 31st. They are all sad to see Cath leaving. Chris asks if there will be any crossover training. Melinda states that Troy did come into the office for 1 day and for 1 night meeting. There will be 1 week without anyone covering this position, yet they do have Cathy Hoffman that can fill in if needed.

Mike questions the status of the dam repairs. Melinda states a letter was sent to the owner of the dam giving him 30 days to file plans to rebuild the dam or to provide fire protection to the residents, as having the pond for fire protection was part of the Planning Board subdivision approval. They still have a few days to hear from the owner. Mort feels the owner should sue the town for breaching his dam. Melinda stresses that this dam breach was ordered by the State. Mort questions why they should do what the State says. Melinda points out that there were safety issues for the residents in this area that are located down stream from the dam. The children were not allowed to leave school during this time when the homes were being evacuated. This was a dangerous situation. The Town hired a private consultant, a dam expert, that was recommended by the State. He determined that the dam was not in a safe condition. When this report was given to the State, they order the controlled release of the dam.

Chris recalls reading in the newspaper that Chief Ux had been discussing overtime and budget issues with the Selectmen. He understands the increase in overtime for the storms, yet the budget appears to be running at 49% right now, which seems to be back on track. He questions whether there is concern about something that may be coming up during the remainder of the year. Melinda states that there will be some overtime needs coming up due to lack of availability of officers. The FEMA funds will help to compensate for these expenses. The line item will continue to show as being overspent, yet the increased revenue will help to offset these expenses. She will keep an eye on this. Chris states that the article pointed out that there had been an open position since the beginning of the year, which caused much of the overtime. He questions why it would take so long to fill this position. Melinda states that they have hired someone, yet he must go through training first before he is allowed out on the street. Paul adds that this position was hired in mid-July. Paul points out that the last payroll cycle is not included in the budget report, yet Chief Ux took those additional figures into consideration when he made his report to the Selectmen.

Mort questions what the Selectmen are doing about the traffic issues on Sunday mornings during the flea market. This past Sunday the traffic was backed way up. Melinda mentions that there is an officer on duty to help control traffic. Mort states that the problem is with cars turning in and out, with no way for other cars to drive around them. He feels that much could be done to correct this problem. Bob points out that on the last Sunday of each month there is also a car show in Amherst, which is just over the line. They also have officers assisting with traffic, yet they do not work with the Hollis officers. There is no coordination between the two towns. When the Amherst car show is not open, the traffic is not so much of a problem. Melinda will speak with Chief Ux about this. Mike mentions that he was also stuck in this same traffic on Sunday. He was not completely stopped, yet the traffic was moving very slow. Bob points out that Amherst also lost a lot of parking when the new elderly housing development went in. This has caused many people to park in Hollis and walk up the road to the Amherst show.

Paul mentions that he has been investigating a new voice-over system for the town. Chris suggests talking with Bill about this, as the schools just went through this process. If they have already done the research it could help save time and money. Paul states that the Town has received a credit of \$850 for back taxes being assessed for the various phone lines for the Town.

Mike recalls that the latest report on the self funded insurance was that it was not working well. Paul states that the Town has hired a new broker, who has helped clear up a number of claims that were not being processed appropriately. The current provider is doing much better. Chris asks if the employees are happy with the insurance now. Paul reports that they are happy now that they have a broker working for them. The previous broker did not seem to have this expertise.

Chris questions some items on the revenue spreadsheet. The bottom line seems to be \$800,000 short. Paul states that he recently prepared the MS-4, which was an interesting exercise. The land use change and timber taxes were done from last year. The meals and rooms tax should be the same. The highway block grant is down slightly. The tax rate estimate was \$4,000,000 at town meeting, while the MS-4 shows this to be \$16,000 higher. There are some revenues behind last year, yet others will be a little more.

School Report

Bill announces that their new Business Administrator, Dawna Duhamel will be starting on September 10th. She is currently working for an auditing firm. An offer has been made to an individual for the Assistant Principal position. While she is ready to accept the position, there is a matter of being replaced in her current position before she can leave that district. He is not sure when this will occur. Mort questions why the previous Business Administrator left. Bill explains that she left for personal reasons, it was not due to any job issues.

Bill states that Bob Blaise, the new Maintenance Director is on board. The cable installation that was approved back in May has taken longer than expected for the insurance company to work out all the details, therefore the whole process has been delayed. They will be installing the pvx system tomorrow at the SAU offices and in the schools after this. Once the lines are run for each classroom, the programming portion of the project will go fast.

The early intervening math position has been hired and is currently on board. They are already looking at the results from last year to project what should be done for this year. The latest population update reports 795 students in October 2006, and as of today there are 792 students, yet they are anticipating this to be going up. He is looking for more information from nesdec, as their projection for this year was only 767. Mike asks if the 792 reflects the full time equivalent. Bill believes this to be correct.

Bill states that due to the transition with the Business Administrator, he does not have the end of the year report to present to the BudCom. He is hoping to have this soon. Chris asks if he has any idea about any end of year surplus. Bill is not sure. Last year the BudCom approved spending some contingency funds, yet they still had \$83,000 to turn back in. Mike asks if there is a deadline for submitting the MS-25. Paul states that this is due at the beginning of September, yet the school is allowed a little more time due to the date of their fiscal year.

Bill states that the work on the water pump in the well is in the process of being completed. Mike asks if this will affect the opening of the schools. Bill states that this will not interfere with school operations. They are installing a service panel and a backup pump. The panel can be installed and switched over when school is not in session. They do not have an answer on how to remediate the moisture in the pump house that caused the problem in the first place.

The roof repairs have now been rescheduled for June 2008. He is not sure why this is being held off, as this should have been done this summer. He is currently waiting for a report on oil usage to see if they received any savings due to the wall repairs that were performed last year, as well as the maintenance done to the boilers. An energy audit is being performed at the Upper Elementary, as this building costs twice as much as the Primary. He has been told that the lights in the gym are causing much of this. He is waiting to see the results.

Bill reports that they are ready to open both schools tomorrow. The staff is ready. The buildings are ready. Although it will be a bit of a challenge without having an Assistant Principal at the Primary.

Chris recalls hearing that the town got a good rate for oil. Mark reports that they have a contract for \$2.179 for 9,000 gallons from Fuller Oil. Chris questions whether the schools would be able to piggy back on this. Bill states that the business administrator took care of this last year. Hopefully this was not dropped during this transition to the new business administrator. Melinda points out that there is also a labor rate in the contract. She urges Bill to check into this immediately. Mark explains that the Selectmen obtained bids from Lorden Oil and McLaughlin as well. He points out that the contract does not have a "downside" protection. They are stuck at this rate even if the price goes lower. He stresses to Bill that they need to look at all factors.

Melinda asks Bill if they have considered assessing user fees for the basketball courts in the school gym. Bill states that the Superintendent has proposed this, yet the School Board has not discussed it yet. This would have to be an addendum to the user agreement. They have discussed how the recreation commission and the administration should meet to work this out, yet he does not believe this has happened. The school needs an anticipated schedule listing any janitorial needs. This has not been received by the school. Melinda will look into this.

Budget Guidance

Chris states that the Bureau of Labor Statistics has posted the cpi monthly figures. The July #'s have historically been used, which is currently at 0.8%. If they are to be consistent, they need to use this number. This is a June – June figure. He points out that the Nationwide cpi is much lower at 0.1%, while the Boston area is higher. Last year this was at 3.9%. Paul stresses that the average comes out to 1.8%. Last year they used the September 2005 – July 2006 figures. By using the average, this avoids the big spikes and valleys. Chris states that this is using a 12 month look back, then smoothing it out. It is basically double smoothing the figure. Paul stresses that the numbers are an average. Mike agrees they need to take an average for the previous 12 months.

Chris reiterates that the July number is 0.8%. Mike questions how each month can be higher, yet the average be low. Paul explains that what Chris is looking at is the change between June 2006 and June 2007. They need to take this figure for each month of the past year and determine the average. Mark stresses that they need to do the same calculation each year to be consistent. If they always use the same formula, then they are being consistent. Chris agrees. Paul explains that this same formula process is used with the February figures for the union contract. Chris comments that within 5 years they could start seeing deflation.

Mike asks how the BudCom feels about the ins and outs, such as debt service being excluded from the formula for the budget guidance. Chris feels that growth needs to be considered; both ways, up or down. There should also be a circuit breaker to look at the tax impact. If the valuation is increasing, they should not penalize, yet if the valuation is not increase, they should pull the reigns back in. Melinda states that traditionally with the town they have allowed the in/out monies to be removed from the multiplier, as well as debt service. The school was the same, with food, debt service, special revenue and the non-administrative special education removed from the multiplier. Mike questions whether the special education should be removed or not. Melinda states that this was only removed from the multiplier for the last 2 years. Prior recommendations had special education staying within the guidance.

Bill stresses that legally they don't have the ability to cap special education. He can understand the BudCom wanting control over this expense, as does the school board. The school board has requested zero based budgeting, yet it doesn't make sense to do this for some accounts. He wants the staff to walk through each account to see how it was spent and determine what could be reduced or eliminated. He would also like them to prioritize their expenses. He has asked for a service hours analysis for special education. They currently have 132 students receiving services. This analysis should show what services are required, the number of hours required for these services and the number of hours for in house and out of district services. They also need to see how the services are being delivered.

Bill states that he has asked the director of special education to go through the same zero based budget process as the rest of the budget. He wants to see priorities. He has asked for this information for the September meeting, as they need to start this process early. They have 2 contracts to negotiate this year. As for the question of keeping special education in or out of the budget guideline, Bill suggests keeping it out and trusting the school board to do their due diligence in controlling this expense. Melinda stresses that the administrative portion of special education should still remain within the guidance. Bill agrees. He points out that if the superintendent says that xxx is what is needed to deliver quality services for special education, then xxx is what they should deliver.

Mike stresses that the problem is that special education is out of control. He is leaning towards putting this back in with the guidance. Chris points out that since this expense has gone up 20% for the last 3 years, if this were to be added back into the formula at this time, it would actually give them more to work with. Melinda states that if this were added back in, they would be saying that it could only increase by xx. She points out that with the town already being locked into a union contract, they may have to reduce services to meet the 1.8%. Bill states that the school cannot do things that will hurt the students. The main goal is the education of the children.

Mike comments that the school has always argued that they have no control over the budget. Bill points out that while the laws says they must deliver these services, it does not say how it should be done. He feels they need to look at efficiencies. Mort stresses that they do not need to deliver a Cadillac, when they can get by with less. We do not need to provide the gilded lily. Mark feels it to be the same with the town. The Selectmen can give a budget that meets any figure the BudCom sets. He would like to give the BudCom this authority. The Selectmen can present a budget that meets the guideline, yet will also provide a list a items that will not get done. This would be a list of concerns and needs for the town. He questions how the BudCom will look at deferred costs. The town has consistently deferred maintenance and needs for the town hall. They can continue doing this in order to keep the budget down, yet the time will come when something really needs to be done. Are the taxpayers better served by biting the bullet now or deferring the costs for years. He gives an example of South Merrimack Road. The decisions made by the BudCom in the past are now affecting the community. Melinda agrees. If the money had been put aside for this culvert rather than being pushed out for years, the town could have repaired this problem back in January when the State shut it down rather than closing the road down again.

Mark stresses that they need to look at the town's best interest. If they do not take the special education costs out of the guidance formula, the only way to pay for this will be to reduce services. He is personally not a huge fan of special education, as he feels this is not money well spent. Mike disagrees with this and feels that this is money well spent, yet they do need to control the costs. Mark feels that many students do not need special education, yet this is not really a BudCom issue. There are federal guidelines that have changed, which tend to code more students into this category.

Mort points out that the BudCom does not set the budget, the town sets the budget. If the voters want to approve more or less, they can do so. If the fire department wants a new truck, all they have to do is say this to the voters and they will get it, regardless of what the BudCom says.

Melinda mentions that this is a federal election year, with both a primary and federal election. She would like to have these additional election costs

as an in/out item. This causes a large spike in the budget and it will be hard to keep this line item within the 1.8%. Mike agrees that this should not be included. Chris questions what is included in this. Melinda explains that this is for the supervisors of the checklist, printing of ballots, software upgrades for the ballots, cost of voting machines. During large election years these costs are much higher.

Mike feels that the union contracts should not be included for the town, yet should be included for the school. Melinda feels they should be included at all times, whether already in a contract or actively negotiating.

Mike summarizes the guidelines as he understands everyone's comments. The in/out accounts, debts service and special revenue will be excluded from the multiplier. Negotiations will be included. Special education services to students will be excluded, while special education administrative will be included. Food service is out. Elections are out. He asks Melinda to create a spreadsheet with bottom line figures for this formula. She will need final figures from the SAU, Bill will provide those numbers.

Chris questions what allowances for growth at the school should be given. This should be done both ways, up or down. Mike feels the schools seem to be leveling out. Melinda states that when they are talking about only a few students, it is not as much of an issue. Chris stresses that they have reduced the population by 30 students over the course of a few years. Bill points out that they did remove a class last year.

Tom asks if the expenses for the South Merrimack Road culvert will be included in the formula. Melinda states that it will be included. Mike agrees that road work should be included. Melinda states that she was hoping to keep this at level funding for future expenses. This would not be just for culverts. Mike agrees that including these costs each year will help to level out the funding of this infrastructure. Although this does not address the big need at town hall. Melinda mentions that they have been talking about painting the town hall for several years, yet this does not address the structural needs. The selectmen do not want to spend money to repaint if they will be doing a much larger project in the future. They are trying to figure out a plan to provide more space in the town hall, library and farley building. The seniors want space. The town clerk is currently renting space. Mike feels that this work should be presented as a bond.

Mort would like the teacher negotiation capped at the cpi and BudCom guidance. This has never been done before. They need to stand firm. Bill argues that this is more complicated than that. When all the salary increases are added together this comes to \$400,000, yet the guidance only allows for \$160,000. Paul points out that there will also be a \$184,000 deficit in school revenue. Chris suggests a circuit breaker with a 3 year average to cpi. Mike would like him to bring this as a mathematical formula at the next meeting. Chris agrees to do this.

Chris again asks if there should be any growth consideration. Melinda cannot answer right now regarding the needs for the town. This may be requested at a later date. Last year was the first time growth was given some consideration for the town. She is hoping not to need this again this year. She stresses that as a BudCom member she agrees with this guidance, yet as a Selectman she realizes that it will be difficult to meet.

Paul mentions that he is a member of NHGFOA (NH Government Finance Officers Association). They are currently looking at all town to see where some efficiencies may be happening. To see what towns are doing well and how other communities could copy this model. Bill questions whether there is something similar for the school business administrators. This would be very beneficial for them. Mike states that he would be interested in seeing what they come up with.

Subcommittee to review financial aspect of Coop school district

Mike states that this is more about the education of Hollis students and if Hollis should remain a part of the coop or not. Debbie reminds the BudCom that the selectmen requested the BudCom to form this committee back in March.

Paul asks if there is any idea of any tax rate impact due to the change in apportionment formula for the coop. Melinda feels that this will actually give a negligible increase to the coop portion of the tax rate. Hollis' portion of the budget grew the same amount as the expected savings with the 100% apportionment, therefore it was a wash.

Mike questions what is happening with the tax base. Paul comments that they are not seeing the increase that they had hoped. Melinda states that they should see a 3.3% increase due to the reinspection of properties. Chris points out that this will skew the whole tax base. Mike would like to know about the increase to the tax base due to new construction and additions rather than the change in assessment. Paul states that they anticipated a 2.3% increase for this. Chris feels this will actually be under that projection. Paul states that the MS-1 deadline has been extended, therefore he will not know until the October meeting.

Mike states that he did have a few residents express an interest in serving on this committee. Debbie questions whether this is still necessary. Melinda states that the Strategic Planning Committee still wants this to be done. They need a Hollis only study performed. Mike agrees. They need a BudCom member to assist with this committee. Melinda, Mike and Chris all indicate that they do not have time for another committee. Tom suggests that Bill Matthews would be good on this subcommittee. Mike states that the subcommittee needs someone from the BudCom to drive it. Melinda suggests having a member of the Strategic Planning Committee assist. Chris states that while he cannot commit to serving on this subcommittee, he would be able to help with some data. Mike comments that they will be able to find people to participate, yet they will still need someone to lead. Melinda will check with the Strategic Planning Committee.

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

Next Meeting will be held September 25, 2007 at 7:30 PM in the Community Room, Hollis Town Hall

Meeting adjourned at 9:20 PM.

Respectfully submitted,

Deborah Adams, Secretary