

BUDGET COMMITTEE

Minutes of September 25, 2007

Meeting was held in the Community Room, Hollis Town Hall and was called to order by Vice Chairman, Chris Hyde at 7:30 PM.

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

Also present: Paul Calabria, Finance Director

Review of Minutes

Melinda moves to approve the Minutes of August 28, 2007. Seconded by Labednick. Motion unanimously approved.

Town Report

Melinda explains how the Tax Collector has the authority to appoint a Deputy Tax Collector. The budget has \$1.00 in a line item for this purpose. Barbara Townsend has requested to have a deputy work with her for a few hours during certain critical times of the year to begin learning the job. There are many items that occur for the tax department only one time per year. It may be more than a year until she retires, yet we need to start training for this position now. No line items will be overspent. This will be closely monitored to keep it within the budget.

Melinda states that the town hall had a semi-emergency with the boiler that heats the Community Room. This boiler actually failed at the end of last winter and needed to be replaced. The boiler was more than 40 years old. It will cost \$4,300 to replace. If there is no money in the DPW budget for this replacement, contingency money will be used. It was not a safe situation to continue repairing the boiler each year. When renovating the town hall in the future, they will still need this boiler to heat this room. Bob asks if there are 2 furnaces for this building. Melinda indicates that there is a smaller one used to heat the Community Room and a larger one for the main building. With the new boiler they should get better efficiency this year.

Bill arrives at this time.

Melinda reports that the town has received \$43,750 from FEMA, which is only a partial payment. They are expecting a total of \$127,509. This is for the repair of the Ames Road culvert that was damaged with the Mossman Dam breach. Paul adds that Jeff Babel will be getting contracts for this work and the money will be encumbered until next spring. The State has also approved money for the May 2006 floods, yet he is not sure when to expect these funds. Chris questions that if they can do this work for less than the \$127,000, would the town be able to keep these funds. Paul explains that the total cost will be more than this amount, as this is only a 75% reimbursement of the total.

Melinda mentions that they have received the State permits for the Ames Road repairs. Chris recalls that the neighbors do not want to see this road repaired. Melinda states that there are 2 residents on Ames Road. They do not want to have trucks traveling past their homes. Since Ames Road has been closed, the trucks have been traveling further down on Silver Lake Road and turning onto Witches Spring Road. This impacts more residents. Bob comments that it is difficult for trucks to turn from Silver Lake Road onto Witches Spring Road or Ames Road. This is a big safety issue for this area. Chris suggests making Ames Road a one-way road.

Melinda states that the tractor at the transfer station is in a state of failure. The cost to repair is the same as the replacement cost. They are hoping to keep it going until next year when it can be replaced. The cost should be around \$4,500. Bob comments that this machine does not get much use and rarely moves out of 1st gear. He does not see why they need a new tractor when the one they have sits idle most of the time. Melinda states that they are looking into a used, second-hand tractor, not a new one.

Paul mentions that the selectmen have recently approved his suggestion to place \$500,000 into a 30 day cd to help improve the revenue stream. He has been looking into short term investments to help. He does not want to lock up money for longer terms. Paul comments that he has not heard back from the school regarding the telephone system. Bill points out that they have had much going on with personnel issues, the start of school, and 2 negotiations. It may have slipped their mind. Paul states that he will send the email again. Bill states that the new system is up and running now at the SAU offices and while there were a few issues at the school, they are almost complete there as well. Paul states that since the school has recently gone through this

process, he would rather not reinvent the wheel.

Paul mentions that he has been working with Pitney Bowes to get some postage savings on bulk mailing that is done, such as, vehicle registrations, animal control officer and the tax collector. At this time all departments are tracking well. Employee benefits are going well too. If this continues, he anticipates an \$11,000 surplus on health insurance by the end of the year. The police budget is 3.3% under budget, yet a portion of their payroll is not included in these figures. DPW is currently running under budget. They are being cautious with spending, as much was spent during the floods.

Melinda comments that they have discovered that the town has been billed for street lights that do not exist, are located on school property or are located on a State road. The town has received a credit for the ones that do not exist. Bill argues that the school street lights are on a State road. Melinda explains that there are some on Drury Lane, which is not a State road. Bill comments that this is a town road. Debbie explains that Drury Lane is actually a private road on land owned by the school.

Melinda states that she recently received a report from Connie Cain in the Assessing Office regarding the recent reinspect of properties. There were 2,576 properties inspected. 294 of these had outstanding building permits. The 2006 valuation for these properties was \$886,458,224. The 2007 valuation is now \$916,472,715, which is an increase of \$29,745,391 or a 3.39%. Mort questions why adjustments were made to the property valuations. Melinda states that much of this can be attributed to construction done without obtaining building permits. Mort questions how many. Melinda will find out from Connie. Chris asks if these new valuations have been approved by the assessors. Melinda states that this information has been submitted to the DRA. The next tax rate will be set with these figures.

Chris asks if the town plans to inspect 20% of the town each year. Melinda explains that some properties did not get inspected this time and will be done next year. Next year they will also perform the statistical analysis. They have already contracted for this work. Mort thought that this could be done with the software that the town already purchased years ago. All they have to do is push a button. Melinda stresses that it is not that easy. They intend to inspect 25% of the town each year and perform the statistical analysis on the 5th year. The State is now requiring this to be done every 5 years. Chris stresses that he heard a differing opinions from the DRA and the Assessing Office on this. He does not feel they need to perform a walk through inspection of properties unless there has been a building permit. He is not taking the assessors word on this. He thinks they have a vested interest in wanting these inspections to be performed each year. He feels this is contrary to what he has been told by the DRA. He wants to get to the bottom of this. Melinda argues that this is NOT contrary to what the DRA has told the Assistant Assessor, who does not have a vested interest.

Melinda states that it is in the best interest of the town to have the most accurate assessments. They should have fewer abatements this way. She reiterates that this is a State requirement. Bob asks how many abatements they expect to receive based on the new valuations. Paul anticipates 300 applications. Bob comments that he has a problem with the company who performed the inspection. There were errors made on his assessment and he had to file for an abatement. He feels this is a waste of time and much aggravation to the tax payer. If they cannot do the job right, they should get someone who can. Melinda comments that there has been mostly good feedback regarding this company, while they had many complaints about the previous firm.

Meeting Schedule

Debbie presents copies of the Selectmen departmental review schedule and the BudCom meeting schedule. Melinda explains that the Selectmen will be changing their process slightly for this year, as they are starting a little later than normal due to the resignation of Cath Hallsworth and the hiring of Troy Brown. They also felt the process was too onerous in the past. The larger departments will present their budgets on Friday mornings to allow more time for discussion. The smaller budgets have been lumped together on Monday nights. Chris states that the BudCom will need representatives to attend the review meetings for the larger departments. Melinda adds that one member could attend the meeting for the smaller budgets. Chris states that he will handle the fire department. Bob offers to attend the meetings for both police and dpw. Scott will attend the October 29th meeting with the smaller budgets.

Chris questions the workshop meetings. Melinda explains that the Selectmen will not be meeting with department heads during those meetings, but will instead be reviewing the entire budget. Mort stresses that the BudCom should not have any member attending any of these meetings, as they should only be interested in the totality.

School Report

Bill states that the vendor they used for the VOIP is Pingtel. They are not exclusively for schools, yet they do have a great package for schools. Melinda asks if someone calling the school will get a receptionist or a computer. Bill is not sure. He has not called the school since the system was put in place. When calling the SAU office you do get a computer. Melinda hopes the school is not set up that way. It is much nicer to get a live person.

Bill announces that many changes in positions have occurred at the business office. People are either cutting back on their hours or are leaving. Right now the priority in that office is to get the paperwork to the State. They are currently working on this. Paul stresses that those are needed to get the tax rate. Bill agrees that this is a top item. He hopes to receive an update at the Wednesday school board meeting. Chris asks if they can get a pdf file of the State report. He has not seen anything in months and he would like to know how the school closed out their budget in June. Bill states that he recently met with the new Business Administrator, Dawna. She understands what reports are needed by the BudCom and this will be handled once the State reports have been completed.

Bill mentions that he worked with Mike to prepare a 5 year report on student population. He points out that the data received is for actual population and not for fte (full time equivalent). This is how it is reported to the State. Kindergarten is counted differently. He went back to 2001 with his data and this was forwarded to Mike. Chris questions how the preschool population is counted. Bill states that each child is counted as a full student. Mort questions whether the student population is growing or diminishing. The BudCom depends on this count. Melinda states that the school has always indicated that these were fte figures whenever the BudCom inquired about it.

Scott comments that when they calculate the cost per student this will be skewed. Chris agrees. The kindergarten and preschool students will tend to skew the numbers. Bill comments that they now have full time kindergarten, where the student stays for both the morning and afternoon sessions. These students are only counted once. Scott feels that this child should be counted as 2, since the child is taking up a position in both morning and afternoon. Bill states that this is not how it is handled. Melinda questions who sets the rules regarding how students are classified; the school or the State. Bill believes this is done by the State. Melinda states that high school students that are not attending full time are only counted as a fraction.

Mort again asks if the population is more or less than last year. This should be the only detail for the BudCom to be concerned about. If the population is reported consistently, they only need to know if it is going up or down. Bill indicates that he will not know this answer until October 1st. He mentions how these figures are used for various purposes; determining facility's usage or the number of teachers that will be needed. Chris recalls how the school received population projections from Dexter Decker in the past. This also included a breakdown by school grade. Bill is not sure how those projections were created, however upon looking back at them, they were not accurate. The NESDEC figures that were used last year appear to be more realistic.

Bill explains that on August 30th, the Principal report lists the actual bodies, educational specifications, number of classes and the number of students per classroom. Melinda feels that by not having the fte figures, the cost per student calculation is skewed. Bill does not see how this would change the figures significantly. Melinda stresses that it may double the numbers for part time students. Bill states that there is a known upfront cost for each student for registration, curriculum planning, etc. Scott stresses that the processing cost is only a small fraction of the total cost per student. Bill states that there are more costs up front for the preschool students, as most of these are for identified students. Melinda points out that the part time students also include regular education kindergarten students and not just special education kindergarten students.

Bill stresses that there must be space in kindergarten for these special education students. Chris argues that they must also provide space for every other child in Hollis for kindergarten. Bill points out that children do not need to attend kindergarten. There is always a big jump in population for 1st grade. Melinda mentions that many families need to have full time kindergarten.

Mort questions what is done with the children that are advanced for their age. Do they skip a grade. Melinda states that Hollis does not provide for high end education. There is no gifted program. Debbie comments that Hollis used to have this program, yet it was dropped 9-10 years ago. Bill explains that if a student comes to the school already knowing how to read, the child will be pushed forward. Melinda comments that this is not what she has heard from parents regarding the math and science programs. Bill states that students will work at their particular level of reading skills. They will not allow a student to sit in class bored because they already know the material. Melinda states that this is merely keeping the student at the same level, with supplemental work, yet not placing the child into advanced classes. Bill states that teachers work with different levels.

Bill mentions that the budget overview starts this month, with more detail being reviewed next month. Chris comments that it may be good for the BudCom to attend those meetings, like they will be doing with the Selectmen. Bill states that the meetings are held at the Middle School and are now being televised. The school board has engaged the services of Attorney Tom Flagar to assist with the 2 negotiations. The Hollis school budget is 35% of the total tax rate and 75% of this budget for salaries. Tom is one of the best labor negotiators in the State. It will be good to have him on our side. He has experience with many innovative programs. This will be a wise investment. Paul asks Bill to forward the cost particulars of Tom's services to him, as the Town may be interested in this information for next year's negotiations.

Mort feels that the school board should set goals for the negotiation, such as how the total compensation for teachers should not exceed the increase in inflation. Bill does not see how any board has been able to hold the total benefits to inflation. This has not

been done anywhere in the State. Mort stresses that they have the opportunity to do this now. Hollis has been crazy with this for years and Nashua is trying to do this. Bill points out that Nashua has no teacher contract right now, as it has not been approved. The step and track format has been in place in NH for many years and will be difficult to change.

Bill understands that the BudCom is upset that the teachers will get an across the board increase, yet will also get increases when moving to different tracks and/or steps. Mort wants to look at the totality. Like a business. There are high salaries and low salaries. These must be averaged out. Bill comments that there is a different mindset across the State and the schools are not willing to look at salaries in this way. Chris feels that this mindset may be changing in many communities.

Bill states that when a person is maxed out in their track, they will not be getting an increase for this, they will only get the standard cpi increase. Melinda asks if the base of the track gets the cpi increase. Bill explains that when doing an across the board increase, each cell in the table receives the same percentage increase. Those in the top cell of the table will only get this one increase. If moving to a higher step they will also receive an increase. Bill stresses that it will be hard to change this mindset for salary increases. The practical reasons for these step increases was to give the lower level teachers more increases to their lower base salaries. They also need to look at the competitive aspect of this. If they go with a different salary increase structure that is different from all other school districts, they run the risk of losing good teachers. Mort feels that the work conditions in Hollis are better than in other schools and the salary structure will not make much of a difference. Bill comments that the current system does look bad at first glance.

Chris questions why they do not have increases that are related to improvement in teaching capabilities or student education. Municipal employees used to have terrible pay with good benefits and excellent retirement. Now the wages are much more competitive with the private sector, as well as better benefits. Things are now skewed from what it was in the past. He is not opposed to paying good performers a good wage, yet they need the flexibility to do this, rather than just cart blanche increases. The school is already really good, yet it will be a challenge to go forward with no incentives. Bill agrees. They must do what is good for the teachers, is best for the students and is also fiscally responsible to the taxpayers.

Melinda stresses that this discussion is not new for the BudCom. They have been discussing this for years, yet the school board has ignored these comments. Bill states that the first negotiation meeting will be next Tuesday. Chris asks if there should be any input from the BudCom before they begin these negotiations. Scott states that they have already given this input. The school board should have the message by now.

Budget Guidance

Melinda presents the budget guideline spreadsheet to all members. Chris comments that the Department of Education has issued their projections for school revenue for the year. Hollis will receive an increase of \$84,518 with a total of \$1,774,871. Bill questions why the expendable trust for maintenance has not been included in the calculations. Melinda states that this is a new item and was not discussed last month. She feels this is merely a savings account. It is not quite an in/out item, yet should be treated as such. She agrees to make this change. Chris points out that these funds are really revenues that are being reserved into an account. Bill states that this is rental income for the SAU building.

Melinda asks if this is an appropriation and whether the voters approved spending of this money. Bill states that this is part of the operating budget in a sense. Melinda comments that this is really money that is left over and placed into a capital reserve. She questions whether these funds would be listed on the MS-22, as only new monies going into a capital reserve are included on this report. These funds should not be included in the multiplier. Bill states that this is part of the maintenance budget and is used exclusively for maintenance. Chris recalls that this was established to help catch up on projects that have been let go for years. Bill explains that they need to build up this account for a few years to fund large projects. Paul comments that it should be treated like a capital reserve. Melinda agrees. Therefore she will not have to adjust the spreadsheet.

Melinda explains the spreadsheet for the school portion. \$10,456,467 is the 2007-2008 operating budget. Special Revenue and Food Service has been added to give a 2007-2008 approved budget of \$10,880,595. This total is then reduced by subtracting Special Revenue, Food Service, Debt Service and Special Education non-administrative to give a recommended base. The multiplier of 1.8% for cpi is calculated, then added back to the base to give a total of \$8,731,060. The items removed above are now added back in to give a total recommended figure. These items being added back in have been listed with last year's figures, as she does not have the new numbers yet. Therefore this is not have a true bottom line.

The same process is done for the town with In/Out accounts and the Veterans Tax Credit being added to the \$8,738,038 budget to give a 2007 approved budget of \$9,293,038. This total is then reduced by Election items, In/Out accounts and Debt Service to give a recommended base. The same 1.8% multiplier is used, then Election items, In/Out accounts and Debt Service are added back in. She does not have figures for the Elections at this time, therefore a true total recommended is not known yet.

Bill comments that when applying a 3% increase for salaries and the same increase to benefits as they had last year, they are already at a \$300,000 increase. This is double what the calculation allows. The \$300,000 is a conservative estimate with no increases to anything else. The school board is concerned that it will be very challenging to not cut into educational services. He stresses that they need to do the right thing for the students. Mort comments that the school board does not have to agree with the BudCom. Historically the voters have always approved what the school wants.

Bill states that he wanted to give the BudCom a heads-up to the challenges. He would like to come into agreement with the BudCom, yet this will be hard. Mort stresses that things will not change until people actually start attending the school district meeting. Most of those that do attend are parents of students currently attending or staff members at the school. Bill indicates that he intends to come to the first presentation to the BudCom with a budget that will meet the guidance, as well as a list of services that will be cut or items that are needed. Melinda indicates that the town will do the same.

Chris asks if they plan to have warrant articles to supplement what cannot be accomplished in the budget. Melinda states that they are not necessarily planning to do this. Lately they have tried to keep all warrant articles within the guidance. She feels this is appropriate. Rather than presenting additional items to the BudCom, the Selectmen chose last year to remove some items prior to the presentation. This year they won't do this, as some items cannot be pushed out any longer. They plan to prioritize this year. The BudCom will see more items on this list than in the past. The Selectmen already know of some items that will be requested that they will be hard pressed to keep out of the budget again this year. Paul mentions that 40% of the employees will be eligible for longevity pay this year, which will help with salary increases. They are already looking at a 1.6% increase with only the salary increase and the new dump truck.

All BudCom members agree to the proposed calculation for the Budget Guidelines. Melinda will update with accurate data as she gets it.

Circuit Breaker

Chris presents a "Circuit Breaker (regulator) Proposal". This shows data from 2000 – 2007 for CPI and the Tax Rate, including a 3 year average. He explains that the tax position has changed. This shows that Hollis has become a more expensive place to live as compared to the rest of the state. Hollis has gone from a manageable tax rate to one that is a burden to many people. He has tried to create this circuit breaker to help slow down the growth. The left hand side is CPI data from the Bureau of Statistics. The tax rate side uses assessments as a % of sales, with data received from the Office of Energy and Planning and from the DRA. If the tax rate increases greater than the CPI it adds stress to the taxpayers.

Melinda points out that from 2000 to 2006 there was a negligible increase, then 2006 was way up and 2007 it came back down. Chris reiterates that as long as the tax rate is not increasing more than the CPI, then it is okay. He feels they should limit CPI to ½ to help reverse the trend. Mort states that as valuations continue to grow, taxes also grow, regardless of keeping the tax rate level.

Chris feels it is a simple formula putting this regulator onto the tax rate. Melinda states that this shows that from 2000 – 2006 the amount of tax paid in proportion to the value of property was flat. If the property valuations increased 25%, then the tax bill increased 25%. Tax payers gained paper value. Mort stresses that people care about how much they are paying for taxes. Chris explains that he is proposing this as a tool to help make adjustments if needed. Melinda comments that this is an interesting analysis. She recalls the BudCom talking in the past about not allowing the tax rate to increase more than the valuations.

Paul mentions that the DRA publishes a State wide full value tax rate. This publication gives a lot a good information. It shows how Amherst is higher than Hollis. Bedford looks good on paper, yet it does not include the new high school costs that will hit next year for them. Nashua is also lower, yet they have more commercial base than Hollis. If you look at this information, Hollis does not look too bad. This information can be found on the DRA website under equalization.

Chris wants the BudCom to think about having this circuit breaker to allow for tampering down the runaway taxes. Bob agrees the town needs to bite the bullet, as the next 2-3 years will see some big changes to the economy. Some analysts are predicting this recession going into a depression. There has already been one run on a bank that went out of business. They need to start cutting back now, not 3 years from now. He does not see the economy rebounding from this quickly. Melinda stresses that the schools also need to buckle down. This accounts for 78% of the total taxes. Bob suggests leasing vehicles instead of purchasing. If a lease payment is made each year, it will help level out the payments vs. having huge spikes for outright purchases.

Chris would like to see this used for next year. It will be too hard to initiate now. He will support using this for future budgets and can also be utilized for upcoming negotiations. Melinda comments that she does not have enough information to make a motion on this right now. She would like to review this data further, yet agrees it would be a useful tool for negotiations.

Other Business

Chris just sent out an email to everyone regarding health benefits. The Kaiser Family Foundation provides much information about health insurance. This would be good data for everyone to review. The Foundation reports a 2007 increase of 6.1% for health insurance, which is lower than a few years ago. He is glad to see this on a downward slope. The Foundation shows the average of family plans nationwide, which is nice for comparison purposes. As insurance rates go up, employee contributions also go up.

Melinda explains that the Selectmen are currently reviewing the health insurance for the town. It will be interesting to use this information for that. The town is currently self funded. The broker will be presenting an analysis of going with different administrators or to an HMO. They will be reviewing many plans and scenarios. Unfortunately they will not be able to include data from Health Trust, as they will not allow this. Debbie comments that Health Trust was also supposed to be submitting a proposal for us to review.

Paul explains that Health Trust is proprietary. Melinda states that this fact caused problems when the town went to the self funded insurance, as Health Trust would not provide the full data of what services were covered, which the town requested to make sure that the new insurance covered all of the same. She reports that the new broker hired by the town is working well. They are happy with his services. Paul mentions that the national average is up 50%. Melinda points out that this is why the town has remained self funded. It has helped to keep a level budget. Paul mentions that the budget is actually less.

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

Next Meeting will be held October 23, 2007 at 7:30 PM in the Community Room, Hollis Town Hall

Meeting adjourned at 9:55 PM.

Respectfully submitted,

Deborah Adams, Secretary