

# BUDGET COMMITTEE

## Minutes of September 27, 2005

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; Scott Bartis, Vice Chairman; Melinda Willis, Selectmen's Representative; Harry Haytayan, School Board Representative; Christine Furman, Mort Goulder, Chris Hyde, Lorin Rydstrom; Deborah Adams, Secretary

Also present: Paul Calabria, Finance Officer; Peter Band, Selectmen

### Review of Minutes

*Lorin moves to approve the Minutes of May 24, 2005. Seconded by Scott. Motion unanimously approved.*

*Christine moves to approve the Minutes of June 28, 2005 as amended. Seconded by Melinda. Motion unanimously approved.*

*Chris moves to approve the Minutes of July 12, 2005. Seconded by Mike. Motion unanimously approved with Lorin abstaining.*

*Chris moves to approve the Minutes of August 23, 2005 as amended. Seconded by Christine. Motion unanimously approved with Lorin abstaining.*

### Town Report

Melinda states that the budget is tracking well. There are a few items that are over, yet these should even out by the end of the year. The renovation project has started at the Police and Fire Stations. They did not have to blast for the garage foundation at the Police Station, which will allow for some savings. Paul points out that they will need a new leach field, which will take up some of this savings. The leach field was apparently inadequate when it was originally installed. Melinda explains that when digging for the garage they cut through the pipe leading to the leach field. It was not located where they thought it would be and it was not at the correct depth.

Melinda mentions that the Selectmen have set their meeting schedule to start the budget reviews. She presents copies of the schedule to all BudCom members. Paul points out that they will again be having Thursday morning meetings to help with this process. Mike comments that it is helpful to have a BudCom representative at each of these budget review meetings.

### School Report

Harry states that the preliminary audit report shows the school returning \$88,000 to the town for the unreserved fund balance. The final report should be available in October. This coming year Hollis should receive \$14,000 in Medicaid. There will also be a \$9,000 shortfall in the oil budget due to price increases. There will be a \$6,000 increase in Workers Comp due to claims experienced throughout this past year. Mort comments that changes should be made to reduce this. Mike agrees. There should be policy and training changes. He mentions that he did not receive a budget report for this past month from LeeAnn. Harry states that he did not receive this report this month, he will have it for next month.

Harry mentions that Primex rejected their claim on the boiler damage. They feel this is a maintenance issue, while the contractor feels they did their job right. They are hoping to get things settled between the two. There were over \$30,000 in damages. Lorin asks if this is a dead issue. Harry states that Attorney Drescher has been asked to send letters to both the insurance company and the contractor. They are not giving up yet. They are looking closely at the maintenance contract. Either this is a covered event or maintenance neglect. Mike asks Harry to report on this again next month.

### Meeting Schedule

Debbie explains that she has coordinated the schedule with the SAU Office and with the Selectmen. December 7<sup>th</sup> will be the SAU Budget Hearing, which does not conflict with any BudCom meetings this year. Debbie will email the schedule to all BudCom members.

### SAU Budget Oversight

Chris explains that he recently attended a Coop School Board meeting. He was hoping to perhaps achieve some oversight of the SAU budget. It turns out that the proposal is to have 2 members of SAU boards oversee the SAU budget prior to the presentation this year. He offered the notion of having a representative from the Hollis and Coop BudCom and the Brookline Finance Committee also oversee this budget, yet this was rejected. The door was shut on this idea. There is no RSA authority to have this oversight of the SAU.

Christine recalls the pie chart that was presented last year showing the breakdown of the tax rate. The major driver of the taxes is the school system. If the BudCom cannot be included in this process, they cannot help with this portion of the entire town's costs. Mike asks if there are any budgetary

guidelines that are given to the SAU prior to their preparation of their proposed budget. Harry indicates that he has never seen any guidelines for this. Christine points out that the SAU apportionment is different for each district. Lorin states that they could have a petitioned warrant article to force some oversight of the SAU budget. Mike does not feel that this would be binding. He agrees that this is a loop hole in the process. Mort mentions that this is not a large portion of the budget. Mike agrees yet stresses that there are many administrative costs in the SAU budget that continue to grow out of control.

Mike states that he would like to provide some recommended guidelines for the SAU budget that Harry could present to them. He asks if there will be any School Board meetings prior to the public hearing. Harry indicates that there will be meetings, yet he is not sure of the dates. Lorin agrees to discuss this issue with the Coop BudCom as well.

### **Farley Building**

Chris mentions that he specifically stayed at the Coop School Board meeting for this discussion. This building will come to an end of classroom service within the next month when the new addition at the Middle School is completed. The Coop has been discussing many options for this building. They have directed the administration at the Middle School to see if there is any reason to keep this building. This may be good, yet the emphasis was on finding a way to use this building within the Coop. This property is owned by the Hollis School District and the residents of Hollis. He feels there may be a reverter clause when it is no longer being used as a school building. He has already met with the Superintendent, as well as members of the Cop and Hollis School Boards to discuss this issue. They indicated that the Hollis School District has no interest in this building. Harry stresses that the Hollis School District has not taken a vote or even discussed this as a Board. Chris comments that he is happy to hear this. He was merely reporting on what was said at the Coop meeting.

Chris points out that apparently the Middle School building sits on a portion of the Farley Building land. There were discussions of lot line changes. They also discussed the parking/driveway issue. Much of the Farley Building land is being used for parking and driveways for the Middle School. There is the parcel that the Farley building sits on, plus 2 more parcel directly behind this lot. The Coop has indicated their desire to have this land for Coop use. He is very concerned that if they take away land from the Farley Building, they will lose parking ability for this building, which would make this less suitable for anything other than Coop school use. He questions how this could be done without interfering with the Farley Building. He suggests an easement or right-of-way. He comments that the tone of the discussion by the Coop School Board members made him nervous. He feels that the residents of Hollis need a good representation on how this structure should be used.

Mort feels it is more important to watch the population in the schools and when they will be at capacity and possibly needing more room. Mike recalls that when Hollis permitted the Coop to use this building it was only supposed to be temporary. The Coop has been trying for many years to get out of using this building. They have always stated that when they stop using it for the school it will revert back to the town. Harry states that they have received no requests from the Coop Board. They cannot take action on something that has not been requested in writing. Tom Enright has requested to be on the next Hollis School Board agenda. This is actually the first indication that they wanted to discuss this issue. It has not been on the agenda before now. He is not sure what the deed actually says. There is a reversion clause that gives a 2 year window from when the building stops being used for educational purposes, that it will then revert back to the Hollis School District.

Chris is concerned that there was discussions regarding using this for storage, SAU Offices or Coop Offices. Harry points out that the deed mentions storage or administration. The issue will be what the grantor's intent was when the deed was drafted, which was classrooms. The deed was found years ago and an opinion was received from Attorney Drescher. He comments that he believes there to be a conflict when Attorney Drescher represents both the Town and the Schools. He does not feel that this is an immediate or pressing issue. Mike comments that he would not wish to see any change in the legal status of this building and does not want to prohibit its use. Harry agrees that he would not desire any change in the ownership status either. He will keep the BudCom informed of any discussions relative to this.

Mike questions the status of the land that the Middle School sits on. Debbie comments that this land is owned by the Coop with a reverter clause back to the Hollis School District. Melinda states that the Selectmen would also like to discuss this issue, preferably before they meet with the Coop. She stresses that this could potentially become a budget issue, should renovations be necessary to the building. She urges to have the School Board meet with the Selectmen regarding this. Harry believes that first the Coop needs to determine what they need to use the building for. They have a 2 year window. Melinda is concerned that it could potentially sit fallow for 1 ½ year without being used or Hollis could be proactive on their intent to use it. Mike points out that the first step will be to find out what the Coop has in mind for this building. Melinda comments that currently they use it for storage of desks, bookcases, theater props and boxes of books. Mike stresses that there has been much interest by the town to preserve this building for historical purposes.

Melinda stresses that she does not wish to see the building left fallow. This may not be a priority to the Hollis School District, yet there are other groups in town that may have a much better need for this building. The School Board should be more proactive to show some intent. Debbie explains that she has done some research on this property. The land that the Middle School is situated on is owned by the Coop with a reverter clause back to the Hollis School District after 2 years. The Farley Building property is owned by the Hollis School District. The deed to this property is very old and we have not located a copy at this time. It may be in the archives in Concord. She should have more information at the next meeting.

### **Building Permits**

Debbie reports that she has issued permits for 20 new single family homes so far this year. This is down from 53 in 2004, however there were only 26 in 2003. It all depends on how many lots are available at any given time. This year several large subdivisions have been held up by Planning or Zoning, therefore those lots were not available. The Planning Board just recently approved another large development, which will open up more for next year.

### **Budget Guidelines**

Mike would like to wait to finalize the guidelines until they see what tax rate they will be facing this year. He predicts that it will be shocking. Melinda states that she took the operating budget for the town that was approved this past town meeting (\$12,069,382), then reduced this figure by bond items, debt service and any in-out items. This gives a recommended base of \$6,731,768. In prior years the BudCom has allowed this base to be multiplied by the CPI. Paul explains that he recently spoke with Don Borrer at the DRA, who indicated that they should be looking at a mid-October timeframe to set the tax rate. This is a bit later than usual. Typically this is done on a first come, first served based, yet this year the schools were later getting their information to the DRA because of the Special District Meeting that were held in August.

Paul indicates that the CPI is at 4%, yet he is not sure where this will go with the increase in gas prices and its effects. Mort comments that if the tax base is growing because of new homes being constructed this is a good thing, however if the tax base is growing merely because of increased assessments it is not good.

Mike comments that he is not sure if the Land Protection Study Committee will be asking for more money again this year. Mort points out that there are 2 committees for land acquisition. The Conservation Commission receives current use money for this purpose. It was discussed last year to possibly eliminate this funding mechanism, yet this idea was voted down. It may come up again this year. Mort feels that current use money is revenue, and therefore should not appear in the budget. He would like to see the Conservation Commission receiving 100% of this money. Brookline does this. Mike states that they will discuss this later. He asks if there will be any bond issues or large expense items for the town coming up. Peter reminds the BudCom that there will be some culvert work that will need to be funded.

Scott questions why they should do anything differently than what they have been doing regarding a budget guideline. He agrees they should use the CPI multiplier, then hold firm to the guideline. Mort feels they need to include the warrant articles. Scott agrees that the 4% increase should also include any warrant articles. Lorin questions how a \$1,000,000 bond for land acquisition would work with this. Scott amends his recommendation to exempt bonded items. Mort feels that 4% is a realistic increase for inflation. This will work if there is enough tax base to keep the tax rate flat. Mike states that they will not know this until the end of the year. Chris agrees. He points out that the CPI will most likely increase with the gas prices going up as they are. He feels they should use the August CPI figures. Christine points out that the August CPI will not include any of these anomalies. The BudCom needs to realize that there are changed factors in the economy that will be felt in all budgets. They cannot turn a blind eye to these issues. She does not want to go crazy, yet they do need to look at portions of the budget that may need more increases than just the 4%, such as fuel costs. Mike stresses that they are not saying to increase the budget 4% across the board. Christine argues that they should look separately at these costs. There should be some contingency for these items that we know are going to increase sharply, such as utility costs.

Paul mentions that the Police Department is already at budget for their fuel costs. By the end of the year this will definitely be overbudget. The Fire Department is already overbudget for diesel fuel. The DPW will also be over by the end of the year. Mort questions why they did not get fuel contracts to lock in a lower rate. Paul explains that they did this for heating costs, but this cannot be done for vehicles. Lorin feels this would be a reasonable discussion to have later during the budget presentations. Mike points out that this is not a large portion of the budget. Scott feels that every year there are anomalies and they cannot plan the budget around them. Melinda agrees. She points out that the IRS recently increased their mileage rates. The Selectmen approved this mileage increase until 12/31/05.

Mike comments that it appears to him that 4% seems to be the preliminary recommendation. He would like to revisit this again once the tax rate has been set. He questions whether this same guideline would work for the school budget. Harry states that it would depend on what is used as the base. He points out that special education costs are hard to increase in this manner. He feels that special education costs should be removed from the base, then added back in later. Melinda mentions that this is how this was handled last year. Harry points out that fuel costs are going to be much higher with the buses. He will discuss the preliminary guideline with the School Board. Mike asks Harry to discuss with the school board that the BudCom wishes to use this method for a guideline. How the base is determined will be discussed at the next meeting.

Chris asks if there has been any decline in population. Harry is not sure right now. Mike stresses that the BudCom will need enrollment statistics for October 1<sup>st</sup>. If the figures are up significantly, they may allow an increase in budget commensurate to this population increase, yet they never seem to get the budget to go the other way when enrollment decreases. Chris would also like to see how the new integrated preschool is going to impact the budget, especially for the non-mandated aspects. The BudCom has been assured that this would not cost the town any more for special education students than the current out of district costs. He would like to see the impact, plus or minus, for the regular instruction students. He wants to make sure that this will not drive any costs. Harry states that these students must pay tuition. Chris understands this, however if the tuition doesn't cover the actual costs this is a problem and should be discussed.

Mike points out that the BudCom asked last month to have a report on the integrated preschool program for the November meeting. The Hollis Preschool will also report at the same time. He would like to see information about enrollment and revenue.

### **Meeting Schedule**

Mike asks for BudCom members to agree to attend the Selectmen budget review meetings. Mort feels this is the Selectmen's job and not for the BudCom. Mike explains that this is more for educational purposes. Melinda feels that it makes the process run smoothly. Mort does not want the budget process to be smooth.

- Lorin will attend 10/3, 10/31 and 11/7 meetings
- Chris will attend for Police and Communications reviews, 9/29, 10/6 and 11/23
- Christine will attend DPW reviews on 10/13 and 11/28
- Scott will review the Fire, 10/20 and 11/14

**Next Meeting** will be held October 25, 2005 at 7:30 PM in the Community Room, Hollis Town Hall

Meeting adjourned at 9:10 PM.

Respectfully submitted,

Deborah Adams, Secretary