

# BUDGET COMMITTEE

## Minutes of October 24, 2006

Meeting was held in the Community Room, Hollis Town Hall and was called to order by Chairman, Michael Harris at 7:40 PM.

Members present: Michael Harris, Chairman; Melinda Willis, Selectmen's Representative; Mort Goulder, Tom Jambard, Mark Johnson; Scott Bartis

Also present: Paul Calabria, Finance Director; Peter Band, Chairman Board of Selectman, Don Ryder, Selectman & State Representative

### Review of Minutes

*Mike asks if there are any changes.*

*Mark turns in typos from the August 22, 2006 minutes to Paul to forward to Debbie Adams.*

*Melinda moves to approve the Minutes of August 22, 2006 as amended. Seconded by Tom. Motion unanimously approved.*

### Town Report

Melinda reports that all is going well with the Town. The BOS voted to approve up to \$10,000 from Contingency for repair of the antennae's at the Police Station and to reattach the tower to the Police Station. The Communications Center 2007 budget included \$1,800 for lightning grounding. The BOS asked if the \$1,800 could be done within the \$10,000 approved. Mort questions why the antennae's weren't grounded. Melinda notes that the same question was asked by the BOS when originally presented and it was stated that it was for a lightning ground. Peter Band describes how the ground wire is bored into the rock. Mark asks if we can go after the builder for the damage to the antennae and cable and the detachment. Paul explains that the detachment was thought to be a result of the siding that was done to the police station several years ago. Also, the antennae and cable has out lived their useful life. The cable can't be easily reached post-construction and new cable will be run that is more accessible. Mark asked if this is the first item to be voted from Contingency this year. Melinda replies in the affirmative, but that the Selectmen may need to access more contingency money for the DPW if there are significant snowstorms before the end of the year.

Melinda reports that the tax rate has been set and tax bills have been mailed. Mike notes that he expects some phone calls, but has not received any yet. Paul reports that the Tax Collector had received several calls upset about the tax increase. Mike questions what the 2006 tax rate change was over the 2005 rate? Paul details:

### 2006 2005 \$ change % change

Municipal \$ 4.57 \$ 3.60 \$ .97 27.12%

Local Education \$14.12 \$13.14 \$ .98 7.46%

State Education \$ 2.89 \$ 2.98 \$(-.09) (3.02%)

County \$ 1.26 \$ 1.28 \$(-.02) (1.56%)

Total \$22.84 \$21.00 \$1.84 8.84%

Paul states that we had estimated a 3% growth in the tax base. The actual came in at 2.3%. This number should start to slow as we reach build-out.

Mark asks about the growth rate in the schools. Mike states that he was a member of the school board when they limited the schools exposure to health care increases by passing any increases on to the employees. If you only increase by inflation, you have to cut programs. Health care payment to employees is fixed based, not inflation based, contractually based. If employee pays delta if cost increases, school costs stays fixed, except for costs due to increase in cap. When contract expires they re-negotiate. Paul mentions the retirement 7/1/06 increase. Mike replies that Retirement is a small driver. Salaries are the big driver. Melinda points out that salary increases by step and COLA.

Mark asks if it's this bud comm. position that if the rate is too high they have to reduce level of service. Mike replies No, philosophy is to maintain level of service. Mark asks even if twice the rate of inflation? Mike replies Yes. Voters decide on level of service. We do need to discuss salaries with a formal discussion.

### Health Insurance

Paul reports that the 19 months health insurance costs were analyzed and transferred in from the Health Insurance Expendable Trust in October. The projected surplus, at this point, for the year is \$85,000. Last year we retained about \$4,500. There have been no cap hits this year of \$30,000. Last year we had 3 \$25,000 cap hits. Mort remarks that we need to get the school on board and asks Paul about that status. Paul replies that they are still in process of reviewing the plan. The demographics are interesting at the school, the seasoned teachers seem to have more incidents of knee/hip replacements, while the younger teachers are starting families. Mike replies those factors exist for both insurance company statistics, that the real question is what is cheaper? Paul replies that Melanie has taken over for Leeann. There was a stall during the change, but now they are researching again.

Mort states that we have tried to hold the line in the school, but they run over every year. This was the 1<sup>st</sup> year that the voters overruled the Coop. Mike says that he wouldn't be surprised if they did it again. Paul relays the fact that the tax collector has been telling residents to go to the budget hearings to voice their opinions on the spending.

Mike asks Mort what recommendations will come out from the Property Tax Equity Comm. in regards to relief for those who have trouble paying their taxes. Mort states again that the solution is simple, put a lien on the house with town, not bank, rates and borrow the money.

Mike states that that would entail year over year borrowing and we would have to get approval at town meeting. Mort suggests paralleling the health insurance trust fund. Mike suggests Mort asking the PTEC at their next meeting.

### **Farley Building**

Melinda states the language in the old deed says Union School District signed 2<sup>nd</sup> floor over to Hollis High School. The attorney is looking for the transfer to the Hollis School District. This is slowing the process. Since there was no recommendation from the budget Comm., she & Peter Band initiated a 3% increase for the 1<sup>st</sup> go round.

Mike asks why it didn't work. Melinda replies that in depts. That have primarily salary, it won't work. TBG is looking for an 83%. The town has taken on new responsibilities, i.e. Lawrence Barn, Farley Bldg. Mort asks why doesn't school pay for Resource officer. Melinda answers that the School does pay. The cost is split between Hollis, Co-op & Hollis School District, equal to use of officer. Marks ask a couple of follow up questions. Has Barry Palmer's position been filled? Melinda replies yes, temporarily for about 9 months. Mark asks has the Farley building Lot line issue been resolved. Melinda says this will not be considered until transfer is made.

### **Formula for budget guidelines**

Mike asks Paul about the CPI. Paul replies 3.9% over the 1<sup>st</sup> 8 months of 2006 and 3.8% over the last 12 months. Mort asks if the index used includes food and oil. Paul replies that it does. Mort replies that the town doesn't buy food, but it does buy oil. Melinda states that she thought the DPW did have downside protection on the prepaid oil. Paul remarks that we are at the high water mark for bonding in the 2006 tax rate, providing we don't have any further bonding issues. Mike comments that the schools have experienced zero growth. Mike asks how the bud comm. feels we should handle bonding and salaries in the target formula. Melinda comments that bonding was subtracted because the schools were getting 3% on the bonds. Maybe we should put land bond monies on a level basis and put excess in a trust savings account for future conservation. Mike states that he thinks we should take the full year impact and include it in the mix. How do we account for the effects of a full year impact in our understanding of our budget constraints. It is made clear at town meeting and on the Warrant Articles. Melinda suggests going back to the way we did it before, including salaries in the equation. Mike states that we aren't telling the people the whole story. Should we give consideration to a growth component? Melinda proposes the cost of the Employee stays within the CPI calculation i.e. 2 months year 1 and 10 months year 2 for a firefighter and 9 months year 1 and 3 months year 2 for all other new hires. Paul comments that the BOS would take a big hit in trying to formulate an operating budget that included 9 months of a new hire. Mort declares that the police and fire chief always get what they want at town meeting. Mark asks if the police are close to a 24 hour 2 man shift. Melinda replies Yes.

Mike asks how bonding was handled in the past. Melinda replies that bonding was removed before the multiplier and then added back at the end. Mike suggests we leave it as it is. Melinda comments that the biggest key is we need to try and do a better job at making these issues more level. Mort argues that it should be part of the constraint. Melinda replies that it was backed out because we don't want to be using the CPI multiplier on bond monies. Mike adds that the basic method is sound and predictable and asks if we can account for in the first full year? Mark asks Mort if he is now considering Land expenditure instead of an investment. Mort replies that land is different. Mike states that in the long run, land is not a cost. Mort complains that if the renovation wasn't placed first on the Warrant the land would have gone through. Many voters would have voted for the land if there was a specific parcel on the following article, as was the case in 2005. Mike asks again how we should account for new bonds, include it or ignore it. Melinda suggests that if we bond, only include it the year of cost. Paul adds that there are no principle payments for the 1<sup>st</sup> year. Mike suggests that we handle it as part of cap in the year it happens. Mark asks if he means for all bonding or just land. Tom answers all bonds. Mike asks All bonds? Mort states land is separate. Scott suggests treating all the same. Mike states that school is population driven. Melinda states that it happens for the town also. She goes on to say that the BOS has been expected to absorb growth, and wonders how you can double the size of a building, without a growth formula. Mort disagrees saying that we must separate the two bonding items. Mike replies that the tax rate and tax base go up 4 or 5%. Mort says that fundamentally, growth costs you more. Melinda states that the town will level off. Mike comments that we should stay within the constraints and asks how we would handle new bonding. Should we include it in the year it happens? Mort answers that it doesn't matter when you do it. Tom asks why the depts. should get penalized. Melinda suggests that just the 1<sup>st</sup> year gets a hit, and that we should look at

the budget in totality.

## **Growth**

Mike likes the growth idea raised by Melinda and suggests we look at it on a case-by-case basis. Mort says if we have 10 years of 2% growth, it's not unexpected to go 2 years with 10% growth. Mark adds that the cap should equal spending or growth rate. Mike states that bonding should be absorbed the year the expense happens with a proviso to provide for the growth provision on a case-by-case basis. Mark disagrees saying that the formula will defeat the dept heads ability to provide services. Melinda suggests that we split the difference. Mike asks how that would be accomplished. Mort suggests a separate warrant article. Mike states that we are losing our ability to control the tax rate. Mark and Tom disagree. Mike says that a representative portion of the voters don't show up at town meeting. He notes that after a vote is taken on a big issue, many voters leave. Scott declares that it's not the bud comm. problem if the voters don't come to town meeting. By not showing up, he goes on, they have decided to appoint others to vote for them, so do not put bonds into the equation. Mark suggests that we take the bonds out of the formula. Mark states that if we don't take out the bonds, you will jeopardize the department's ability to run their department. Mark and Tom state that we need to protect our investment. Mark moves that we not include the bonds. Scott seconds. Mike states that we aren't ready to make a motion.

Mike asks for a consensus. The consensus is to not include bonds in the formula.

Melinda recaps the formula. In and out, Veteran's Tax credit and debt service are removed from the prior years approved budget. That will give the recommended base before the multiplier. After the multiplier is added the in and out, Vet's credit and debt service are added back in to get the target.

*Melinda moves that the formula be based on Prior year gross budget less In/Out, Veterans Tax Credit & Debt Service, equals base multiplied, multiply by the CPI rate. That new base rate has new Debt Service, In/Out and Veterans Tax Credit added to it to get the Budget Committee recommended amount.*

*Seconded by Tom.*

Tom asks about the So. Merrimack Road culvert. Melinda replies that the town has many growth issues like the culvert. Mark questions if the tax base growth included? Mike replies that we what the tax rate to grow by the tax base growth. Mark asks how we can serve the public with 2.3% base growth with basically the same dollars since we only get consideration for the 3.8% inflation growth. Mark asks Melinda, since she made the motion, if she thinks the BOS will agree? Melinda replies that it will depend on how growth is decided upon.

*Tom moves the question.*

*Motion unanimously approved.*

Melinda details the growth issues facing the town: Farley building, Lawrence Barn, Town Hall painting (This should have been done 5 years ago) They did a temp fix 5 years ago and 3 years later it started peeling. The 3 options are to A-repeat the same process that failed, B-continue with wood shingles and replace the punky shingles or C-switch to composite shingles. Tom suggests installing copper where the shingles curl up at the end. This will preserve the paint where the rain runs off. Melinda agrees that this seems like a good idea. Other big ticket items include the So. Merrimack culvert, Federal Hill Road Bridge and sidewalks around the block.

Mark states that he would like the ability to have a back and forth session with the bud comm. after the public hearing is closed. This will enable the BOS to provide additional information to the bud comm.

Mike notes that warrant articles will be included in the formula.

*Tom moves to adjourn. Seconded by Mort. Motion unanimously approved*

**Next Meeting** will be held November 28, 2006 at 7:30 PM in the Town Hall Community Room

Meeting adjourned at 10:15 PM.

Respectfully submitted,

Paul Calabria, Finance Officer