

BUDGET COMMITTEE

Minutes of October 25, 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; Doug Cleveland, School Board Representative; Christine Furman, Chris Hyde, Lorin Rydstrom; Deborah Adams, Secretary

Also present: Paul Calabria, Finance Officer

Review of Minutes

Lorin moves to approve the Minutes of September 27, 2005 as amended. Seconded by Christine. Motion unanimously approved.

Town Report

Melinda states that so far the budget is tracking well, with the bottom line under by 4.6%. There are a few items that are overbudget, such as Workers Comp. This was adjusted mid-year by the insurance company based on prior year's claims. This is not due to any one employee. An audit was performed after this year began and adjustments were made to the costs. The street lighting budget is over, due to increases in delivery charges. Fuel costs are okay through the end of September, yet this will most likely change when next month's figures are posted. One large payment has been made on the construction project. This process is going along as anticipated. As was reported last month the septic system at the police station will need to be replaced.

Mike asks if there was any significant damage from the recent rains that caused such devastation in other parts of the State. Melinda reports that there has been no damage so far. They are closely watching the culverts. Melinda mentions that the Lawrence Barn will be needing more funding to finish the project. Currently they have \$16,000 left in their budget with more than \$90,000 left for construction costs.

Melinda reports that the tax rate has been set at \$21.00. Chris comments that this is not as high as he had anticipated. Melinda explains that the new tax bill will be 13% higher than what was received in June. The tax rate was \$18.57 last year. The new tax rate includes the middle school addition bond and some of the land purchase bonds that have now finally caught up to the tax rate. She stresses that not all of the land purchases are included in this. Mike points out that it is also due to increased spending.

Chris questions how much of this increase can be attributed to the loss of State aid. Paul states that there is about \$298,000 less revenue than last year for this. Doug questions how this increase to the tax rate compares to surrounding towns. Melinda states that she hasn't checked this out on the internet yet. Mike comments that other towns are just as bad, yet they have not had the land purchases that Hollis has made. He stresses that Hollis was always good in years past and they need to get back to this. He feels that the BudCom failed last year, as having this much of a tax rate increase is not good. He feels the BudCom should be tighter.

Christine points out that this year there are items that they have no control over, such as fuel. Melinda argues that fuel is such a small portion of the overall budget. Insurance costs are one of the major drivers of the budget that they have no control over. Chris mentions that the school's operation of the plant has been consistently 8% of the overall budget. Mike feels that teachers' salaries should be the largest portion of the school budget, yet administrative costs have been ever increasing. Doug states that staff accounts for 47% of the budget, with 17% for benefits, 15% for Special Education, 5% for administration and 4% for transportation. Chris feels that administration is closer to 10% if this is calculated properly. Doug states that it all depends on which category items are placed in. The figures he quoted are done the way the School Board tracks each item.

Mike comments that the percentage of the budget relating to teacher salaries has been dropping, while SAU costs are increasing. Doug argues that SAU costs are only 3% of the entire budget. Debbie reminds the BudCom that last year they devised a chart to track these items. Melinda would like to see the new numbers plugged into this same chart. Chris comments that the changes he is seeing indicate that the 1100 accounts are reducing, Special Education is increasing and benefits are increasing. Mike states that this all depends on what is behind those lines. Doug stresses that it is a judgment call on what goes into each category. Melinda asks if the BudCom could request that LeeAnn fill out this form again with the new budget numbers. She feels this would be very helpful. Doug states that they should email Harry with the request, explaining exactly what is wanted.

Chris mentions that the SAU will be looking to upgrade their accounting software. In the past he has asked for information, yet LeeAnn explained that she cannot export the data to Excel with the current software. He suggests that whatever software they do acquire, it should be compatible with other programs. This will greatly help with BudCom reporting. Doug agrees that this would be helpful. He suggests mentioning this to the SAU again before they make any decisions.

Scott, going back to the chart issue, comments that he thought the chart would be used for frequently. That it was not supposed to be a one time thing. This should be ongoing with each new budget. Mike agrees, as the chart was intended to show whether the budget was going to the right priorities.

Paul mentions that he started union negotiations this week. Melinda mentions that Ray Lindsay and Mark Johnson will be sitting in on the negotiations for the Selectmen. Mike asks if they have authority from the entire Board of Selectmen regarding what they would like to achieve in these negotiations. Melinda states that they have discussed some items. Paul explains that this week's meeting was just preliminary discussions. Mike stresses that they need to know where they are going with the negotiations.

School Report

Doug states that there is nothing new to report since last month's meeting. Mike comments that he heard that there had been problems with the well pump resulting in school cancellation today. Doug confirms that there were some problems. The shaft in the pump broke and they will have to order a new part. They have temporarily repaired the situation to allow school to resume tomorrow. He does not know much else about this situation.

Mike mentions that the BudCom asked for a report on the integrated preschool for the November meeting. Doug states that the Principal has reported that all parents are very happy with the program. They have not heard any negative reports from any parents or students. Mike explains that they BudCom would like to see budgetary figures on this program. Doug stresses that there are no budgetary impacts with this program; it is neutral. There are no increased costs being incurred. Mike states that the BudCom would like to see data regarding the number of students, the revenue, expenses, etc. All figures involved with this program. Mike stresses that they need to have this information for the November meeting. This is not just a discussion on how people feel about it. Chris mentions that members from the Hollis Preschool will also be attending this meeting.

Doug states that as of 9/15/05 they had 7 students in the 3-year old program and 9 students in the 4-year old program. They are still accepting applications. Mike asks if these enrollment figures are the tuition paying students or both. Melinda asks how many of these 16 students are special education and how many are tuition based. Doug does not know.

Chris asks if there has been any information coming in from the insurance company regarding the boilers and fire damage. Doug explains that the situation is in Drescher's hands at this time. The dispute is between the contractor and the insurance company. The school is caught in the middle. They have been fighting this battle for months now. Paul asks if there has been any response from the Drescher letters. Doug is not sure. Each side is merely pointing fingers at each other. The school should not have to pay this; it should be either the insurance company or the maintenance company. Mike stresses that the BudCom would like to keep up on the status of this situation. Doug mentions that he brings this up at each school board meeting as well.

Mike asks about enrollment projections, as this may affect the guidelines. He would like to know the October 1st enrollment and what the projection is for next year. Doug states that the Primary School has 433 students and the Upper Elementary has 390 students. Dexter Decker's projection for 2006-2007 shows 400 for the Primary School and 403 for the Upper Elementary. He projected 376 for the Primary School and 386 for the Upper Elementary for this year. Chris questions whether this includes the preschool. Doug indicates that it does not. Mike questions whether the projections take the fte (full time equivalent) into consideration. Doug thinks that it does. Mike is curious why there is such a difference between Dexter's numbers and the actuals. Doug is not sure. He explains that the projections are based on cohort survival and birth records.

Mike comments that the fte is frequently the cause for discrepancy in these numbers. Doug agrees that this may be the answer. Melinda comments that they had 442 and 389 students on opening day, which is almost a flat increase from last year's opening day figures. Doug looks at Brookline elementary figures; actuals vs. Dexter's projections. These have the same discrepancy. He believes that this may be an issue of the fte. He agrees that both the Primary and Upper Elementary have been fairly flat in their enrollment over the last few years. The projections also appear to remain flat. Brookline however is showing increases.

Budget Guidelines

Chris mentions that he attended the first review with the Selectmen for the Communications Department budget. It was reported that 41% of the calls come from Brookline and Brookline is currently paying \$81,000 per year or 27% of this budget. He questions whether this contribution should be increased to make this more fair to the rate of calls, that way Brookline would share the actual burden. Melinda states that their portion doesn't include maintenance of a portion of the building, supplies, etc. She mentions that Mike Pischetola is in the process of analyzing the usage. The utilization for this year was 26.6%, which is close to what they are already paying. Mike does not recall that this was a major issue in the past. He thought Hollis was receiving reasonable contribution for this. Chris states that when he heard the figure 41%, he thought that this may not be fair. Mike would like to know more information on this.

Mike asks if the school board has issued any thought on the budget guidelines. Doug states that Harry was not able to attend the last school board meeting, yet he did suggest not to include special education costs, the increased fuel oil costs, transportation diesel fuel costs or negotiation contracts in the equation. Mike points out that both negotiations are new this year, therefore he does not see why these should be excluded. Doug questions whether the guideline would pertain to the overall budget or should this exclude warrant articles. Mike explains that if there is a new contract this should be included in the guidelines, yet if there is an existing contract they should not include the increase.

Christine states that if they remove all of these items before using the multiplier, then they are essentially removing all of the wild card drivers from the budget. Mike comments that special education can go up or down based on the people moving in or out of town. Doug stresses that this is uncontrollable. Mike disagrees that it is totally uncontrollable. Lorin agrees that the first year should be included in the guidelines and is not entirely convinced that they should ever remove this from the guidelines, regardless of the year of the contract. Melinda explains that in the past the

BudCom felt that when these increases are already locked in, they would have to reduce other items by too much in order to make this work.

Christine points out that the town departments are already attempting to build these increases into their budgets. Debbie mentions that the school is asking to remove 2 different kinds of fuel costs from the equation, heating fuel costs and transportation fuel costs. Other than fuel for the buses, all other fuel costs are for heating oil. This cost has already been locked in at a fixed rate. Doug states that the reality is that the locked in rate is more than what was budgeted for this year. The additional costs will have to be covered by contingency. They are not sure what amount to budget for next year. Chris points out that if this is included into what is increased by the CPI, then those number will be increased. Mike stresses that fuel costs are not a large portion of the budget anyway.

Lorin states that the BudCom should give some guidance to the School Board regarding the 1st year of a contract. He feels this should be included in the base. Melinda mentions that last year the BudCom felt that any administrative costs for special education should be included, yet any services for special education should be excluded, then added back in after the CPI multiplier. Scott agrees. The portion of special education that is related to the students should not be included. There are also a few other mandated items that should not be included, and fuel costs do not fall into that category.

Mike states that the consensus seems to be that everything should be included with the exception of student related special education costs (based on the number of students requiring service), and mandated items. Melinda adds food service, special revenue and debt service to this list. Doug stresses that the school board will not agree. He points out that if looking at the entire Hollis School District budget, as shown in the town report, over the past 5 years, the average increase has been 5.8%. Over a 10 year period it has been 7.6%. This proves that they have been doing better these last 5 years. The State average for this same 5 year period is 9.1%. Hollis has been well below the State average. If they are looking at a guideline that would only allow a 6% increase (across the board), then the BudCom is putting the school board into a bad situation.

Lorin mentions that the cost per student for Hollis is very high for the State. Doug thinks Hollis is average. Mike points out that the number of students has not increased at the same rate as the budget. Therefore, the cost per student has increased. Lorin states that if the enrollment increases 4% per year and the budget increases 7% per year, it is not logical to continue allowing a 6%-7% increase when the enrollment becomes flat. Doug argues that they cannot correlate the budget directly like this. If they double the number of students, they will have to double the number of teachers. Yet, if there are a few less students, they cannot merely cut teachers. They will still be paying the same for salaries. He reminds the BudCom that they have reduced some teachers in the past few years.

Christine questions why there has been no decreases in administration. This is not happening. Mike agrees that many administrative positions have been added over the years, even though they may have decreased teachers, therefore they are not seeing any decrease in salary. Mike asks Paul for the current CPI. Paul states that it is 4%. Doug stresses that since the average increase over the last 5 years has been 5.8%, it is reasonable to have more than a 4% increase this year. Melinda argues that this is NOT reasonable with a flat enrollment. Mike asks Paul for the town assessment. Paul explains that the town has \$1,008,000 in assessments, which is a 2.5% increase.

Mike would like to use the same guidelines for the town. Melinda suggests removing the land acquisition bonds, safety complex bond, debt service and in/out special revenue accounts in order to calculate the baseline. Then debt service, in/out special revenue and any delta for new positions to be hired should be added back in. Paul stresses that this is the tax rate that the people of Hollis voted in at Town Meeting. The voters of Hollis expect a certain level of services and those were voted in. Mike feels that the BudCom did not explain this well enough at the meeting. Paul stresses that there is just not enough town participation at these meetings. Lorin agrees that it would be good if more people were to attend. Sometimes the situation must get to be so bad before people will actually sit up and take notice. He agrees that it is discouraging that the tax rate has gone up so high, but they need more participation to get something done.

Melinda points out that the BudCom participation during the Selectmen/departmental review meetings is a good thing. She feels it is good to have the BudCom present to learn and understand, yet cautions that those meetings are Selectmen's meetings and the BudCom members should not be participating too much. Mike agrees and cautions that the BudCom should do more listening and less participating.

Lorin suggests sending a letter of recommendation to the SAU. He realizes that the BudCom has no legal right to do this, yet feels that if all 3 districts (Hollis, Brookline and the Coop) offer a recommendation to keep their budget to a 4% increase it might help. He feels the Coop would agree to this, he is not sure about Brookline. Chris points out that the SAU budget does not have the same kind of drivers; this budget is mostly administrative. He suggests asking for lower than 4%. Lorin recalls the SAU budget increasing as much as 10% some years. He would like to suggest holding at 4%, to keep it simple. Then if the SAU comes in higher, other cuts will need to be made elsewhere to hold the Hollis School budget to their 4%.

Doug stresses that the School Board goes over every single line item of the budget and question all increases. He feels that they are just as concerned with these budgets as the BudCom. Mike stresses that they need to gain control over the increases.

Lorin moves that the Hollis BudCom fashion and send a letter to the SAU Office to recommend that they limit any budget increase to 4%. Seconded by Scott. Motion unanimously approved.

Next Meeting will be held November 22, 2005 at 7:30 PM in the Community Room, Hollis Town Hall

Meeting adjourned at 9:15 PM.

Respectfully submitted,

Deborah Adams, Secretary