



## **BUDGET COMMITTEE**

### **Town of Hollis**

Seven Monument Square  
Hollis, New Hampshire 03049  
Tel. 465-2209 Fax. 465-3701

## **Minutes of October 9, 2018**

Meeting was held in the Community Room, Hollis Town Hall. Tom Gehan called the Budget Committee to order at 7:00 PM.

**Members present:** Tom Gehan, Mike Harris, Tom Jambard, Mike Leavitt, Darlene Mann, Mark Ledoux – Selectman Rep, and Tammy Fareed – School Board Rep. Excused Absence – Chris Hyde.

**Others present:** Andy Corey – SAU41 Administrator, Deb Padykula – Finance Officer, Kelly Seely – SAU41 Business Administrator

Pledge of Allegiance was recited.

### **Approval of Minutes:**

Mike H. moved to accept the minutes of 9/10/18 as written. Tom J. seconded. Motion passed. Vote was 7-0-0. Minutes were accepted.

### **Public Input:**

Paul Miller (Farm Pond Lane) stated that in light of discussions held at the prior evening's Board of Selectmen meeting he was withdrawing a proposed petition warrant article regarding the use of \$500K from the unassigned fund balance to offset the tax rate.

Mark L. stated that the BOS voted to present a warrant article, which allocates 75% of LUCT receipts to the Conservation Commission. This is a 25% increase over what is currently allocated.

Mark L. stated that the unassigned fund balance at the end of FY17 was \$3.9M, \$600K of which was added during FY17. He added that Fairpoint Communications won its primary case seeking a property tax abatement of approximately \$133K. The case is pending appeal.

Mark L. confirmed that the BOS voted to designate \$500K from the unassigned fund balance to offset the tax rate. He stated that the average Hollis home assessment is now \$455K per the adopted 2018 revaluation and estimated that the town's portion of the tax rate would increase 2%, or \$50 per average property.

Mike H. asked for the overall revaluation increase.

Mark L. replied that the overall town assessment increased 11%.

Tom G. expressed concern that the use of the unassigned fund balance during the tax rate setting process is not as transparent to voters, though he appreciates that it is difficult to reduce the balance while funds are continuously accumulating. He suggested using anticipated future excess funds for the coming year as a guide for the amount to use when offsetting the tax rate.

Mark L. stated that the BOS would like to reduce the balance by funding ongoing liabilities such as the Compensated Absences, Revaluation Expense, and Maintenance Capital Improvement.

Peter Baker (Buttonwood Drive) thanked Paul Miller and the BOS for their time and consideration of this topic.

Tammy F. asked if the fund balance would be used again in future years if there were another sudden increase in the tax rate.

Tom G. replied that the fund might be used to smooth the tax rate for the next few years, but that tighter budgeting should reduce the speed at which the fund is increasing.

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### **FY18 School Report:**

Kelly S. stated that HSD returned \$175K to taxpayers. This money includes the contingency fund, unused budgeted funds, and unanticipated revenues.

Tom G. asked if any FY18 reductions were due to H-STEP.

Kelly S. stated that H-STEP begins in FY19.

### **FTE Report:**

Kelly S. stated that FY18 & FY19 FTE reports were provided to BudCom for review.

### **Special Education Enrollment Forecast:**

Kelly S. reviewed the Special Education Enrollment Forecast. She stated that the numbers have slightly decreased.

Tom G. asked if there are out of district placements.

Tammy F. replied currently no and none are anticipated.

Tom G. asked Tammy F. to explain the term 'private'.

Tammy F. explained that it refers to children aged 3-21 identified as needing services who live in town and/or attend private schools in town. The town is obligated by federal law to provide needed services.

Mark L. asked what services are provided.

Tammy F. replied that it is determined by Student Services and can vary depending on the student's needs. There was a discussion regarding how such services are funded.

Tom G. asked about the significant increase in children receiving special education services.

Andy C. stated that several children moved into the district over the summer. He added that the needs of these students can be met in-house, which is much less expensive than sending a student out of district.

Tammy F. stated that professionals outside HSD must determine all diagnoses. There was a discussion regarding the variety of services provided and the difficulties faced when trying to track costs year over year.

### **SAU41 Report:**

Mike H. reviewed the FY20 SAU41 budget. He stated that the budget increased a small amount due to salaries, but otherwise there were no changes.

Andy C. said the budget still needs to be presented to the SAU41 board and changes might be made at that time.

Mike H. stated that the SAU41 Budget Committee recommended that the SAU41 hire a building maintenance manager and to let the unassigned fund balance grow to 10% of the operating budget.

### **Town Report:**

Mark L. stated that as of September 30, 2018, expenditures are at 74.14% and revenue is at 74.97%. He added that LUCT is \$249.5K over the budgeted amount due to the transition of raw land into buildable property.

Tom G. asked if the \$250K overage includes the half that will go to the Conservation Commission.

Mark L. confirmed that the town will only keep ~\$125K and stated that the Conservation Commission currently has about \$500K in its fund. He added that the Howe transaction would be resubmitted for USDA approval.

Tom J. asked why collected interest exceeds what was budgeted and asked for clarification regarding what is contained in Miscellaneous Revenue.

Deb. P. stated that most of miscellaneous revenue is attributable to timber tax, which is difficult to predict. She added that she increased the FY19 revenue budget by \$140K. This includes a \$50K increase for motor vehicle registrations and \$60K for interest.

Tom G. asked if the budget had been submitted to the DRA for the tax rate setting process.

Deb P. replied that the DRA stated they were waiting for numbers from the Department of Education and the rate is generally available at the end of October.

Tom J. asked for clarification regarding Yield Tax revenue.

Deb P. stated that this is also a type of tax for timber cut on privately owned land. She clarified that the revenue classified in the Miscellaneous Revenue is for timber cut on town property and subsequently sold.

Tom J. asked about the Student Resource Officer \$67K budget line item.

Deb P. stated that this amount is billed to the school district twice per year.

Tammy F. asked why the town clerk propane line item exceeds what was budgeted by \$800.

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Deb P. stated that because the town clerk rents an office, the propane for that office is not part of the town's annual contract and the rates can fluctuate.

Mike H. asked why the motor vehicle permit revenue is high.

Deb P. replied that more people are purchasing new vehicles.

Tammy F. asked about the \$54K PTO buyback line item and whether employees are also paid at overtime rates.

Deb P. explained that the employee is selling back unused PTO hours and that they are not also earning overtime. There is no double dipping.

Mike H. asked if there were savings realized due to open positions.

Deb P. replied that there are interim people in certain positions until the roles are permanently filled and that overtime is required in the police department to cover extra shifts.

Tammy F. suggested transitioning to solar energy to offset the town's electricity costs.

Tammy F. asked why there is electricity at the Stefanowicz property.

Mark L. replied that there is a house on the property that requires heating for basic maintenance.

Mark L. stated that road repairs for the year are complete, lines will be painted on Witches Spring Rd., and the town is still waiting for the plan from NRPC.

### **Preliminary Budget Guidance:**

Tom G. stated that core inflation remains below 2% and the consumer price index is higher. He explained that core inflation does not include the cost of energy and food.

Mark L. stated that reported CPI is currently 3.4%, which he feels is slightly overstated. He added that 2.7% is a more realistic number.

Tom G. questioned the wording of the assumption that the economic recovery will continue and the reliance on core inflation as a guide. The assumption statement was revised to state, "the economy remains strong and inflation remains moderate".

Tom G. raised the tax base increase assumption to 0.5%.

The biases for the school district were not changed. A statement referring to the desired level of the undesignated fund balance will be added to biases for the town.

### **FY20 School Budget:**

Tom G. reviewed the preliminary numbers behind the guidance calculation. He stated that a 1% guidance multiplier results in a \$95K increase. Once \$50K in add back items are considered, the total increase is 1.3%. He stated that CPI June 2017 – June 2018 was 3.22%. Tom G. determined the 1% multiplier by removing salaries/benefits from the baseline (68%) and then multiplied the remaining operating costs (32%) by CPI (3.22%) to arrive at 1%. He omitted salaries/benefits because the upcoming CBA agreement will incur 1<sup>st</sup> year contract cost increases in FY20. He added that other increases, such as health care costs, would be treated as relief from guidance.

There was a discussion about enrollment. The NESDEQ report should be available for the November BudCom meeting.

Andy C. stated that health insurance rates increased 8.1%; therefore, HSD will incur the maximum \$75K increase. The increase is due to staff turnover and an uptick in maternity claims. NHRS also increased by 3%, which amounts to \$25K.

Andy C. reviewed other items affecting the budget. These included moving a 6<sup>th</sup> grade teacher position to kindergarten, an increase to the long-term substitute teacher line item, additional math/science intervention, an on-call nurse, a facilities manager, and a software upgrade.

Tammy F. credited Assistant Superintendent Gina Berskaug for a presentation she gave discussing methods to identify math and science aptitude in early elementary grades.

Kelly S. requested \$75K for health/dental and \$25K for NHRS as relief from guidance.

Tom G. stated that not including the CBAs there would be an overall increase of 2.1%.

Mark L. moved to set preliminary guidance for HSD at 1%, taking into consideration the two relief items totaling \$100K, until such time as we have further data from the school district and from NESDEQ.

Mike H. seconded.

All voted in favor. Motion was approved 7-0-0.

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### **FY19 Town Budget:**

Tom G. reviewed the preliminary numbers behind the guidance calculation. He stated that the FY18 budget is just over \$9M. He omitted municipal leases, debt service, and \$132K in CBA 2<sup>d</sup>/3<sup>rd</sup> year increases. He determined that a 1.6% increase on the remaining operating budget yields an overall increase of 3.22% (CPI) when debt, municipal leases, and the CBA increases are added back.

Mark L. stated that NHRS rates would decrease in July 2019.

Deb P. stated that the health insurance rates would increase 2.5%.

Mike H. moved to approve a preliminary guidance multiplier of 1.6% for the town budget. Tom J. seconded.

Tammy F. asked if approving an overall budget increase of 3.22% with the add backs will result in excess tax revenue.

Tom G. replied that the budget is independent of revenue and that it is risky to be overly aggressive in revenue projections.

Mike H. stated that the BOS intention to use \$500K of the unassigned fund balance to offset the 2018 tax rate addresses this issue.

Mark L. stated that a ~\$300K bond will retire in 2020 and the town is paying ~\$600K/year for the next 13 years for the recent land purchase bonds. He explained that the objective is to use a portion of the unassigned fund balance in 2018 and 2019 to keep the tax rate level until the \$300K bond matures in 2020.

Tom G. called for a vote for the motion on the floor. All voted in favor. Motion was approved 7-0-0.

Motion to adjourn was made by Mark L. Darlene M. seconded. Meeting was adjourned at 9:15 PM.

Respectfully submitted,

Christina Winsor, Tax Collector