



BUDGET COMMITTEE

Town of Hollis

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

Minutes of February 13, 2020

The Budget Committee meeting was held in the Community Room, Hollis Town Hall. The meeting was called to order by Tom Gehan at 6:33 PM.

Members present: Tom Gehan, Chairman; Mike Harris, Vice Chair; Darlene Mann; Mike Leavitt; Tom Jambard; Chris Hyde; Tammy Fareed, School Board Representative; David Petry, Select Board Representative

Others present: Rob Mann, Hollis School District Board Chair; Brooke Arthur; Amy Kellner, Hollis School District Board; Andrew Corey, Superintendent; Robert Thompson, Superintendent of Student Services; Kelly Sealey, SAU41 Business Administration

Pledge of Allegiance was recited.

T. Gehan reviewed the agenda & announced the following meetings.

- March 10, 7am – 7pm - Town Elections – Lawrence Barn
- March 11, 7pm - Hollis School District Annual Meeting – Hollis Brookline Middle School
- March 14, 10am – Town Meeting – Hollis Brookline High School
- March 17 & 18, 7pm – COOP Annual Meeting – Hollis Brookline High School

T. Gehan reviewed the budget process, stating the Town of Hollis is a Municipal Budget Law District under RSA 32. The Budget Committee is responsible to create and present voters with the Town and Hollis School District (HSD) operating budgets and also make recommendations to voters on monetary articles. After the public hearing, the committee will then vote to recommend or not recommend the warrant articles presented.

T. Gehan reviewed the Town Budget Assumptions and Biases. The committee is committed to providing high quality education for Hollis children. The committee assumes that the economy remains strong, inflation remains low to moderate and an annual tax base increase of 0.5% annually. The committee is bias to decrease unfunded liabilities, manage the number of employees and manage debt.

Budget Committee reviewed last year guidance, which was an increase of 0.9%. The effective increase, after adjusting for union contracts, was 2.0%.

T. Gehan reviewed Town of Hollis demographics. Hollis' population 7,800-7,900 steady for past 10 years. Total Town property valuation, or aggregate tax base, for 2019 is \$1.36 billion. Home values have increased by 4% since 2018 and single family home tax bills have also increased by 7%.

T. Gehan reviewed tracked changes to the average home tax bill using a graph that displays the last 10 years. He stated that it is important to adjust for inflation. He noted that the typical tax bill is almost \$400 less on an inflation adjusted basis than it was 10 years ago.

T. Gehan reviewed town, school and COOP budget debt as well as capital lease annual payments. Assuming all articles are passed, the debt service would increase \$124k or \$0.09 on the tax rate. The 2003-2004 land bonds were paid off in 2019 which dropped the debt service to \$314k.

T. Gehan reviewed the school enrollment history and future forecast.

T. Gehan compared the number of enrolled students to Hollis School District Staff and noted that the numbers have trended together nicely in the past years. Current Hollis education specifications and projected class size by grade level were compared and discussed. It was noted that all classes are projected to be below the education specifications. The average cost per Hollis pupil and the average cost per New Hampshire pupil were compared and noted that the two were very close.

Overview of Warrants and Tax Rate

T. Gehan reviewed the warrant articles for the March 11, 2020 Hollis School District Annual Meeting. Warrant Articles are as follows:

- ARTICLE 1 – SAU Building and Barn Renovation Bond
- ARTICLE 2 – Contingent Barn Stabilization
- ARTICLE 3 – HPS and HUES Energy and Capital Improvement Municipal Lease
- ARTICLE 4 – Contingent HUES Air Handler and HPS Heat Pumps
- ARTICLE 5 – Support Staff Contract Year 2 of 3
- ARTICLE 6 – SAU Budget Allocation
- ARTICLE 7 – SAU Building Maintenance Trust
- ARTICLE 8 – School Building Maintenance Trust
- ARTICLE 9 – Special Education Trust Fund
- ARTICLE 10 – Contingency Fund
- ARTICLE 11 – Access Special Education Aid
- ARTICLE 12 – FY2021 Operating Budget
- ARTICLE 13 – Any Other Legal Business

T. Gehan explained tax rate forecasting limitations. Approved appropriations are unknown until after Town & School District Meetings in March. New Hampshire Department of Revenue Administration will set the 2020 tax rate in October or November of this year. It was noted that the tax rate will increase even when spending goes down if revenue goes down by a greater amount. The revenue estimate for 2020 increased by \$42,247 due to food service sales, residual fund balance, special education aid and local tuition. The state adequacy aid for the Hollis School District decreased by \$38,429.

T. Gehan compared the tax rate from 2019 (HSD FY2020) to the projected 2020 (HSD FY2021) rate, assuming a 0.5% increase in the tax base. Assuming articles (not including contingent articles) are approved as written, the operating budget will increase by 9.2%. Making the total HSD tax rate increase by 10.7%. The overall tax rate for residents of Hollis will increase by 4.0%. T. Gehan explained how taxes are distributed between the town, HSD, COOP and county.

Public Hearing

T. Gehan opened the public hearing on the proposed 2020 Town Warrant at 6:56pm and reviewed the conduct and rules of the public hearing. Discussion commenced on the articles as follows:

ARTICLE 1

To see if the School District will vote to raise and appropriate the sum of \$1,404,308 to construct, furnish and equip renovations to the barn and house at 4 Lund Lane in Hollis; and to authorize the issuance of \$1,404,308 of bonds or notes in accordance with the provisions of the Municipal Finance Act (RSA Chapter 33); and to authorize the School Board to issue and negotiate such bonds or notes; and to raise and appropriate an additional sum of \$26,477 from taxation for debt service payments payable on such bonds or notes during the 2020-2021 fiscal year. (2/3 ballot vote required.) Recommended by the Hollis School Board.

Budget Committee Minutes January 13, 2020

R. Mann noted that the SAU41 building and barn are owned and maintained by HSD. Several facility studies have been conducted and they have rendered specific findings such as overcrowded offices, outdated break room & restrooms, as well as document storage issues.

The Hollis School Board's goals for this project are to create a safe, comfortable, and professional working environment as well as address office & storage space issues. The renovation would include converting the barn to office space and renovating the existing bathrooms and breakrooms. If Article 1 is not passed and Article 2 is passed, the amount to stabilize the barn would be raised in one year instead of bonded over 20 years as in Article 1.

Rental between the towns in SAU41 is split 58%-Hollis, 42%-Brookline. D. Mann noted that the split between the SAU entities is based on an apportionment formula set at the state level and cannot be negotiated. T. Fareed noted that alternate options for housing the SAU have been looked into but were not feasible.

- Chris Opalka (Mooar Hill Rd) stated concerns about retrofitting a 100-year-old farm house into office space as issues can arise when renovating older properties. She is concerned about receiving rent from Brookline to offset the dollar amount of this project. She would like to see a committee created to look at town owned properties and/or other locations for an alternative to renovating an older structure that potentially has hidden issues.
- Drew Mason (Baxter Rd) requested clarification on the SAU apportionment rent. T. Gehan answered that rent is driven by a state formula based on equalized value that is not subject for review at any town meeting. D. Mann explained the ADM/ EV components of the SAU between the two towns.
- Bill Opalka (Mooar Hill Rd) stated his concerns about entering into a long-term debt when it is possible that the SAU may not remain intact. D. Mann stated that there is a guarantee to receive the Brookline portion because they are required to pay the SAU budget.

With no further comment, T. Gehan closed the discussion on Article 1.

ARTICLE 2

*In the event that **Article 1** is not approved, to see if the School District will vote to raise and appropriate a sum of **\$250,000** to stabilize the barn foundation and frame at 4 Lund Lane in Hollis. Recommended by the Hollis School Board.*

- Drew Mason (Baxter Rd) asked how the 10% rule would be affected if both article 2 & 4 were recommended by budget committee. T. Gehan stated article 4 is more costly than article 3. D. Mann noted that if Budget Committee fails to recommend the bond articles, the language would have to be modified to adhere to the 10% limitation. Discussion ensued on whether the language would have to be changed.

With no further comment, T. Gehan closed the discussion on Article 2.

ARTICLE 3

*To see if the School District will vote to authorize the School Board to enter into a 10-year lease purchase agreement for \$3,108,900 to finance the acquisition and installation of energy conservation equipment and related improvements at Hollis Upper Elementary School and Hollis Primary School as recommended by the Hollis School District Facilities Committee; and to raise and appropriate the sum of **\$365,762** for payments due under the lease purchase agreement during the 2020-2021 fiscal year. This lease purchase agreement will contain an escape (non-appropriation) clause. (Majority vote required.) Recommended by the Hollis School Board.*

T. Fareed explained the details of the failing units at the primary and elementary schools. It was noted that numerous infrastructure elements require upgrades. If this article fails, Article 4 will ask to raise and appropriate \$577k, in one year, to purchase and install an air handler for Hollis Upper Elementary School and thirteen (13) air source heat pumps at Hollis Primary School. Other items listed in the article 3 lease purchase plan would require large single-year appropriations in following years. T. Gehan requested a meeting with the school board to prepare a list of the top 5 most important issues prior to town meeting.

- Chris Opalka (Mooar Hill Rd) stated that Article 1 of the 2017 Hollis School District was passed for a \$2.8m energy conservation equipment and related improvements project for the two elementary schools. C. Oplaka noted that Article 3 is very similar to the March 2017 Article 1 and the combined total of these 2 warrants is approximately \$6m. She questioned why the improvements went over budget. She also questioned why article 3 a lease instead of a bond. She felt that projects of this magnitude should be bonded. A. Corey stated that the costs went up drastically due to tariffs and a labor shortage. He reiterated that the air handlers at the schools are failing and they will need to be replaced in the near future. He further explained that this article is for equipment and a lease agreement is a better financial decision for a mechanical item that has a limited useful life.
- Bill Opalka (Mooar Hill Rd) Stated that he would rather see this article bonded and asked what the interest rate difference is between leasing than bonding. It was noted that the 20-year bond was quoted at 3.75% and the 10-year lease was quoted at 3.27%. B. Opalka would like the board to present a 10-year to 10-year comparison.
- Chris Opalka (Mooar Hill Rd) asked how many phases are planned for the project. T. Gehan noted that infrastructure maintenance is ongoing. Instead of using funds from the Building Maintenance Trust Fund, they have compiled the largest ticket items and would like to pay for them while favorable financing conditions are available.

With no further comment, T. Gehan closed the discussion on Article 3.

ARTICLE 4

*In the event that **Article 3** is not approved, to see if the School District will vote to raise and appropriate a sum of **\$557,000** for the purchase and installation of an air handler for Hollis Upper Elementary School and thirteen (13) air source heat pumps at Hollis Primary School as recommended by the Hollis School District Facilities Committee.*

With no comment, T. Gehan closed the discussion on Article 4.

ARTICLE 5

*To see if the School District will vote to approve the cost items included in the three-year collective bargaining agreement reached between the Hollis School Board and the Hollis Education Support Staff Association for the 2020-21 school year, which calls for the following increases in support staff salaries and benefits at the current staffing levels: **Fiscal Year 2020-21 Estimated Increase \$50,432** and further to raise and appropriate the sum of **\$50,432** for the fiscal year, such sum representing the negotiated increase over the 2019-20 salaries and fringe benefits. Recommended by the Hollis School Board.*

T. Gehan noted that this is a vote for the fiscal year 2021 only. With no further comment, T. Gehan closed the discussion on Article 5.

ARTICLE 6

*Shall the School District vote to raise and appropriate the sum of **\$553,385** as the Hollis School District's portion of the SAU budget of \$1,807,100 for the forthcoming fiscal year? This year's adjusted budget of \$1,718,104 with \$533,214 assigned to the school budget of this school district will be adopted if the article does not receive a majority vote of all the school district voters voting in this school administrative unit. Recommended by the Hollis School Board.*

T. Gehan explained that a yes vote on this article would fully fund the proposed SAU budget and a no vote would reduce the Hollis portion by approximately \$20k. R. Mann explained the proposed 2021 budget including the addition of a SAU Facilities Director. With no further comment, T. Gehan closed the discussion on Article 6.

ARTICLE 7

*To see if the School District will vote to raise and appropriate up to the sum of **\$23,970** to be added to the previously established MAINTENANCE FUND FOR ADMINISTRATIVE AND ASSOCIATED STRUCTURES*

at 4 Lund Lane in Hollis, Map 56, Lot 2. This amount to come from the unassigned fund balance available for transfer on July 1 of this year. This amount represents rental proceeds and unexpended maintenance funds to be received from SAU 41. Recommended by the Hollis School Board.

With no comment, T. Gehan closed the discussion on Article 7.

ARTICLE 8

*To see if the School District will vote to raise and appropriate up to the sum of **\$120,000** to be added to the previously established SCHOOL BUILDINGS MAINTENANCE FUND from the Hollis School District's June 30, 2020 unassigned fund balance, available for transfer on July 1, 2020. Recommended by the Hollis School Board.*

- Chris Opalka (Mooar Hill Rd) asked if the current balance in the unassigned fund balance would cover all articles if passed. T. Gehan answered no and stated that the article is worded so that the sum was not to exceed the appropriated amount.
- Drew Mason (Baxter Rd) asked if the school was required to disclose completed work yearly. R. Mann stated that completed work is disclosed.

With no further comment, T. Gehan closed the discussion on Article 8.

ARTICLE 9

To see if the School District will vote to raise and appropriate up to the sum of \$25,000 to be added to the previously established Special Education Expendable Trust Fund. The sum to come from the Hollis School District's June 30, 2020 unassigned fund balance available for transfer on July 1, 2020. Recommended by the Hollis School Board.

With no comment, T. Gehan closed the discussion on Article 9.

ARTICLE 10

To see if the School District will vote to establish a contingency fund for the current year for unanticipated expenses that may arise and further to raise and appropriate a sum of \$95,000 to go into the fund. This sum to be raised by taxation. Any appropriation left in the fund at the end of the year will lapse to the general fund. Recommended by the Hollis School Board.

With no comment, T. Gehan closed the discussion on Article 10.

ARTICLE 11

To see if the School District voters will authorize the Hollis School District to access future year state and federal special education aid funds in the event that special education costs exceed budget limitations. Recommended by the Hollis School Board.

With no comment, T. Gehan closed the discussion on Article 11.

ARTICLE 12

To see if the School District will vote to raise and appropriate a sum of \$13,264,874 for the support of schools, for the payment of salaries for the school district officials and agents and for the payment of statutory obligations of the district. This appropriation does not include appropriations voted in other warrant articles. Recommended by the Hollis School Board.

With no comment, T. Gehan closed the discussion on Article 12.

T. Gehan closed the public hearing at 8:18pm. Following a short break, the meeting reconvened at 8:22pm.

Deliberation

D. Mann inquired if D. Petry should be a voting member as Ex-Officio Select Board member. The consensus was to allow D. Petry to vote.

MOVED by M. Harris, seconded by C. Hyde that the Budget Committee recommend **Article 1**, SAU Building and Barn Renovation Bond, to warrant. Voting in favor of the motion were Mann, Husk, Jambard, Fareed and Petry. Harris, Gehan and Hyde were against. The motion **PASSED** 5-3-0.

Article 1 Discussion - M. Harris feels this is a worthy project. However, the article should be amended to state that if the goal was not achieved then it would be null and void. D. Petry agreed with amending the article. D. Mason stated that the article can be amended but then the financier could also amend the terms. Discussion ensued as to when is the correct time to amend. D. Mann stated that if Article 2 & 4 pass, the tax rate would go up \$8.60, a 17.8% increase.

MOVED by M. Harris, seconded by C. Hyde that the Budget Committee recommend **Article 2**, Contingent Barn Plan, to warrant. Voting in favor of the motion were Mann, Husk, Fareed, Petry and Hyde. Jambard, Harris and Gehan were against. The motion **PASSED** 5-3-0.

Article 2 Discussion - D. Mann stated that the barn is a hazard and something needs to be done to stabilize it. T. Gehan noted that if article 1 does not pass, it shows that voters do not want to invest in the project. In which case, spending \$250k on article 2 to start the project seems ill advised.

MOVED by M. Harris, seconded by C. Hyde that the Budget Committee recommend **Article 3**, HPS and HUES Energy and Capital Improvement Municipal Lease, to warrant. The motion unanimously **PASSED**. 8-0-0

Article 3 Discussion - D. Mann reminded Budget Committee members that this article encompasses at least 25 projects between the two schools. T. Jambard would like to see this article bonded rather than leased. T. Gehan stated that all items in this article have to happen. If all items are not lumped together using a favorable financial instrument, the town will have to pay large sums on a yearly basis.

MOVED by M. Harris, seconded by C. Hyde that the Budget Committee recommend **Article 4**, Contingent HUES Air Handler and HPS Heat Pumps, to warrant. Voting in favor of the motion were Mann, Husk, Jambard, Gehan, Fareed and Petry. Harris and Hyde voting against. **PASSED** 6-2-0

Article 4 Discussion - T. Fareed noted that if article 3 failed and article 4 passed the cost to the tax payer would be higher (\$95.95 vs. \$148) per average single-family household. C. Hyde spoke for supporting article 3 over this article due to budget control and fiscal responsibility.

MOVED by M. Harris, seconded by C. Hyde that the Budget Committee recommend **Article 5**, Support Staff Contract Year 2 of 3, to warrant. The motion unanimously **PASSED** 8-0-0.

MOVED by M. Harris, seconded by C. Hyde that the Budget Committee recommend **Article 6**, SAU Budget Allocation, to warrant. Voting in favor of the motion were Mann, Husk, Jambard, Harris, Gehan, Fareed, and Petry. Hyde voting against. **PASSED** 7-1-0

Article 5 Discussion - C. Hyde and T. Fareed discussed the pros and cons of hiring a SAU Facilities Director.

MOVED by M. Harris, seconded by C. Hyde that the Budget Committee recommend **Article 7**, SAU Building Maintenance Trust, to warrant. The motion unanimously **PASSED** 8-0-0.

Budget Committee Minutes January 13, 2020

MOVED by M. Harris, seconded by C. Hyde that the Budget Committee recommend **Article 8**, School Building Maintenance Trust, to warrant. The motion unanimously **PASSED** 8-0-0.

Article 8 Discussion - It was noted that the school board would not need to seek further approval from the Budget Committee to use these funds if the article is approved.

MOVED by M. Harris, seconded by C. Hyde that the Budget Committee recommend **Article 9**, Special Education Trust Fund, to warrant. The motion unanimously **PASSED** 8-0-0.

MOVED by M. Harris, seconded by C. Hyde that the Budget Committee recommend **Article 10**, Contingency Fund, to warrant. The motion unanimously **PASSED** 8-0-0.

MOVED by M. Harris, seconded by C. Hyde that the Budget Committee recommend **Article 11**, Access Special Education Aid, to warrant. The motion unanimously **PASSED** 8-0-0.

MOVED by M. Harris, seconded by C. Hyde that the Budget Committee recommend **Article 12**, FY2021 Operating Budget, to warrant. The motion unanimously **PASSED** 8-0-0.

Adjournment

MOVED by M. Harris, seconded by C. Hyde that the Budget Committee and Hollis School District adjourn the meeting. Voting in favor of the motion were Husk, Fareed, Jambard, Gehan, Mann, Harris, Hyde, and Petry. The motion PASSED 8-0-0.

Meeting adjourned 9:12pm.

Respectfully Submitted,
Jaclyn Hill