

BUDGET COMMITTEE

Town of Hollis

Seven Monument Square

Hollis, New Hampshire 03049

Ph. 465-2209 Fax 465-3701

FINAL Minutes of September 9, 2020

APPROVED October 13, 2020

Meeting was held in the Community Room, Hollis Town Hall.

Zoom Meeting information, including URL and ID are available on the agenda for those who would like to video or phone in.

The Budget Committee was called to order by Tom Gehan at 7:00PM.

Members present: Tom Gehan, Chairman; Mike Harris; Mike Leavitt; Chris Hyde; Tom Jambard; Carryl Roy, School Board Representative; Kelly Sealy, SAU Business Administrator; Mark LeDoux, Select Board Representative; Darlene Mann, School Board Representative; Rachael Gosselin, Finance Director;

Pledge of Allegiance was recited.

Review/Acceptance of Meeting Minutes

Draft Budget Committee Minutes – July 14, 2-20

MOVED by M. LeDoux and seconded by M. Harris. The motion PASSED 7-0-1, with D. Mann abstaining.

No public members called or zoomed in, so T. Gehan will close public input.

Reports

R. Gosselin has sent out the revenue and expense reports, but that amount doesn't include taxes.

M. LeDoux stated that the bigger issue is the expenditure report and that's tracking through August at 64%. There may be a few things at the end of the year due to timing issues, but otherwise it's a normal year. Monday night there will be a public hearing for the bond where they will present a package from TD Bank where they're willing to refinance the 3.5/4% bonds at 2%. This will save the taxpayers about \$300,000. At a later date this fall, the select board will be opening up the received submitted bids for the Stefanowicz parcel after publishing the 'invitation to bid'. The proceeds will be used against the bond principal, consistent with the original warrant article intentions. T. Gehan asked if the larger lot has been fully subdivided and M. LeDoux replied that yes, it has already gone through the Planning Board. There are approximately 4.2 acres which includes the well and easement. M. LeDoux believes the town will get about \$250,000 for this property.

R. Gosselin said the biggest thing is on the revenue side with the loss of interest on investments. The rates were down, but have since gone back up.

M. LeDoux mentioned that all road projects are done and were completed under budget by about \$6000.

Schools

C. Roy said there is currently a 70/30 split to remote. The FDA will be providing free breakfast and lunches to all public school students throughout the end of the year, regardless of if they're remote or in person learning. At the last School Board meeting, the teacher's union agreement was accepted. They discussed class sizes and authorized the SAU to hire two full time teachers in order to provide the proper education for all students regardless of the mode they're following. That has not had to happen yet, but it is a possibility if the class size warrants it. The class sizes are lower than the state specs, but close to the Hollis specs. The remote class sizes are higher than the in person class sizes, but remote and in person classes have different teachers. Most remote teachers are teaching from their classrooms, but there are a few teaching from home due to medical exemptions.

C. Roy said that the remote students could not go to in person learning due to distancing guidelines. If they are in person learning, they are able to switch to remote learning, but not the other way around. The teachers hired would be only for this need, as remote learning continues.

D. Mann asked if there was a time when kids could switch their way of learning, but C. Roy said they never set those points because they don't want to tell a family that they have to wait to switch to remote if the risk increases. Also, due to the in person class sizes, they can't let people flex in.

The next School Board meeting will be on the 30th of September, so they will be able to look at the stats more at that time.

K. Seeley stated that the audit is still being worked on for FY20 because so much of it focused on the reopening plans. The end of FY20 estimate is about \$200,000 being returned to tax payers due to transportation (buses), savings with professional development, and not hiring substitute teachers. The Retained Fund Balance has about \$284,000, which will be used if they fully open the schools. There may be some extra expenses, such as occupational therapy, reading, etc. Things in FY21 not budgeted for in FY20 may include life skills expenses (Special Education skill services). K. Seeley got the rates from NHRS and the new rate for teachers is 21.02%, up from 17.8%. The rate for non-teachers goes from 11.17% to 14%. M. LeDoux stated that the town will be seeking more from the employees covered by those pensions for Police, so he strongly suggests the school board embark upon that theory as well.

HSMART Project

The school has taken the full amount of the project and split it – some for FY21 and some for FY22. FY21 is doing well, but the biggest issue is the delay in getting material. They have the lighting project that's been ready to go for a month, but the materials are just coming in now. They had sent out an RFP but the contractors are so busy so they didn't get great bids. They will have to do some negotiations to get closer to the budgets they established. They are in the beginning phases of planning out the sprinkler system for HPS.

T. Jambard asked if the total amount of fun balance leftover includes the contingency fund, which K. Seeley replied that it does. The purpose of the fund is for emergencies and the school board can vote to expend the funds. M. LeDoux asked why we're limited to the 2.5% and T. Gehan replied that we're limited under the initial RSA allowing for retained fund balance by vote of the school district meeting. It was a choice between 0-2.5% and HSD voted 2.5%. The legislation eases the administrative hurdles to expend from and authorizes up to 5% for the retained fund balance, however they would have to go back with a warrant article to raise it. M. Harris stated that since the regulations have eased, raising the percentage could replace the contingency fund. D. Mann confirmed that it could since the method of expenditure is the same, effective at the end of the month. T. Gehan asked if the contingency fun

requires public hearing, and K. Seeley replied that they haven't been in a situation where they've used it except hiring a third grade teacher, but they did not have a public hearing for that. This fund would be used to add more teachers so M. Harris believes we should reconsider all the funds when looking at the budget.

C. Hyde mentioned that there are several different contingency funds in addition to this one. M. Harris suggested combining them all in to one, so T. Gehan said they're awaiting an opinion of council, but it's worthwhile to talk about it once they get complete information. He expressed concern about combining them all in to one. The funds lapse and are returned to tax payers each year and have to be voted in every year. D. Mann stated that the expendable trust funds don't lapse so they could add to them each year. Two years ago, the town voted for a fund that is constantly ever greening for unforeseen special education needs called the special education fund, which has the capacity to grow every year. Currently the co-op is at 1.1% because it did not get widespread support. The retained fund balance of HSD is almost \$100,000 more than the co-op and if the co-op was at 2.5%, they would have been able to put more money aside to address reopening plans.

T. Gehan stated that there is an SAU41 budget subcommittee and M. Harris is up for reelection. He asked if anyone would interest in the position. No one expressed interest, so M. Harris will continue on the budget subcommittee.

T. Gehan asked if there have been any extraordinary expenses for state and federal aid. R. Gosselin said they submitted to FEMA and the Goferr Grant and we have received the first round of funds from the Goferr Grant, but we're still waiting on funds from FEMA. This was for March and April expenses, which came to about \$16,000. A large amount of that was for solid waste expenses. R. Gosselin also submitted the request for \$10,000 for June. M. LeDoux stated that we'll be submitting requests for election expenses, such as the tent, but the general election will be held in the school gym.

T. Gehan asked if there was any information on aid for the schools. K. Seeley stated that they have the CARES Act and FEMA, but they haven't submitted anything to FEMA yet. The CARES Act request is around \$37,000. The schools have been using their own funds for reopening. They have used FY20 money for a big chunk of it, but will also be using some FY21 funds.

T. Gehan said that in recent years they've looked into inflation and economic strength and have come up with a percent multiplier to arrive at a base. Looking at the unassigned fund balance, this year we're at about \$6 million because we spend about \$600,000 to fund a lot of the warrant at the conclusion of town meeting. We are growing the unassigned fund balance at about \$250,000 a year. T. Gehan asked if there's a view, short of zero based budgeting, that we could look at to see where we're not budgeting aggressively enough. M. Harris said in the past, they have looked very detailed into all the lines of the budget. He found that to be counterproductive because the school district and select board have a lot of knowledge of that. He found it's more productive to go with an amount of money, and if it's too high then it will be lowered, but the departments know more about what they need. T. Jambard stated that he found it to be a good experience to go talk to department heads in order to get a better understanding of major projects they're trying to do, that way they can ask questions and have some familiarity with it. M. LeDoux said with the help of sound financial management and discipline, we have escaped from junk bond status to our current status of Aa2 from Moody's Bond Rating Services, which is the highest we can go given our current tax base. The select board would like to have a very narrow path that they buffer so they can either return money to the tax payers in the form of lowering the tax rate or expending the funds for essential warrant article that would otherwise require new taxation. They set the goal of 10% of the overall budget as a target and exited the year at 10%. Last year they utilized the CPI index from Boston regional area which was 2-2.5% and this year was 1-1.25%. Unfortunately then

you have items like the police and teachers' pension are going up astronomically. We also have labor contracts, which we can't do anything with until we're up for renewal, but therein lies the requirement for discipline to say this is the change to the pension calculation requirements for funding so we're going to ask for more contribution by employees upon contract renewal. Much like with health insurance, the tax payers would cover a certain amount then the employees would cover the rest.

The general fund budget has not been affected due the tax payers having changed the disposition of the Land Use Change Taxes to all go to the Conservation Commission. The Land Use Change Tax was originally split into two parts, where half would be put in the general fund and half would go to the conservation commission. After a warrant article a few years ago, all Land Use Change Tax goes to conservation commission, which is a \$100,000 budget deficit against prior year expectations or actuals. M. Harris thinks we should reconsider giving all of it to conservation commission.

T. Gehan said he doesn't want to micromanage, but more on the lines of checking into our budget methodology. We built the unassigned fund balance and we've gotten to the point where we don't want to go any higher if we budgeted less than we're getting in for revenue. M. LeDoux said every 5 years we have to do a reevaluation on properties, so at the request of staff we've been setting aside \$200,000 a year to the overlay. The overlay is just a bucket of money that is used to defray the cost of abatements given. This is an area we will be looking at reducing from \$200,000 to \$150,000. R. Gosselin stated that health insurance is difficult to budget for because people can go from single to family or vice versa. K. Seeley said from the school's perspective, for the last 5 years, they are not having a lot of leftover money, instead they're going to a different method called the new item spreadsheet that identifies the school's needs so they're pretty even on all their budget lines. If they have more new items, they try to be very transparent about them. The school believes they have a good handle on their budget, but this year they have to deal with NHRS so they have to go back and ask for more money.

C. Hyde said there are a few areas that we can go over systematically by going through functional areas every so often. Some items are a bit more unpredictable, such as gas and oil prices. He stated that instead of micromanaging, we should be looking at items such as not getting behind on road work and doing a multi-year rolling schedule to look at department budgets.

T. Jambard asked how many new roads we've taken on this year due to new developments, and M. LeDoux replied that the new developments have been paid for by the developer until it's accepted by the town. Once the final certificates of occupancy are issued and evaluation of the work is done, it will be transferred to the ownership of the town. T. Jambard replied that there a lot of town services that the town is now responsible for with the new roads so we need to decide if we're going to keep up with all the maintenance of the roads such as plowing. They would either need to hire more help or put it out to bid to a contractor. M. LeDoux said that our largest expenditure is personnel, the second is insurance, and the third is pensions, which add up to about 65% of the expenditures.

T. Gehan said that Joan from DPW cancelled some items of rolling stock that were originally warrant articles. R. Gosselin and T. Gehan got together and made a schedule of rolling stock costs. Rolling stock varies in the budget from \$150,000-\$450,000 a year with no direct visibility to it. He would suggest that they look into rolling stock to see if there's anything not essential or if they can smooth the costs since the costs vary. He also suggests looking at the rolling stock revenue report. M. LeDoux said some of it is unexpended expenses, such as military leave. He does like the idea of looking at the rolling stock because we know, for example, the police have 5 cruisers and replace them on a routine basis based on usage, reliability, etc., and those costs are fairly fixed. We more see the oscillation when you have a large piece of capital equipment such as a ladder truck for \$750,000. He believes we need to look at things like that with a more intelligent eye and believes we should look into outsourcing things for DPW.

The town spent about \$30,000-\$40,000 on capital equipment for mowing, so we now have the personnel so they can mow. He believes it's a better use of resources and agrees that we should be looking into the capital expenditures to see where they need to happen and when we can space them out. M. Harris agrees that it's better to keep the staff we have and hire the contractors for certain jobs. M. LeDoux said it's very important to get that authorization in labor agreements.

M. Harris said he likes C. Hyde's suggestion about looking at departments, and thinks we should start with the rolling stock plan.

T. Gehan had shared with the board a projection of multi-year costs and would like to discuss updated numbers at the next meeting. He would also like a brief refresher on the lease to purchase program to better understand the numbers to see if it's still a better deal. M. LeDoux said the premise of it is that we were saving up money over a period of years and/or expending a large chunk of money with one warrant article. Being a nontaxed entity, we don't need the depreciation value of a capital asset. We went to the bank and asked if they wanted to do a capital lease where they buy it, get the tax benefit of depreciation, and at the end of the agreement the town would be handed the title. It is about 2% to do this and is a way to smooth out the expenditures. The problem is when you have multiple items that will bring the total over the budget. M. Harris pointed out that with the capital reserve fund, it is people in the past paying for something in the future, but with the lease, the people are paying for something being currently used.

C. Hyde said there are community members who have opinions on this, so he would like them to be able to weigh in also. T. Gehan said he will put it on the agenda.

Motion to adjourn by M. Harris and seconded by C. Hyde. The motion PASSED 8-0-0.