

## **BUDGET COMMITTEE**

Town of Hollis

Seven Monument Square

Hollis, New Hampshire 03049

Ph. 465-2209 Fax 465-3701

FINAL Minutes of October 13, 2020

Approved November 10, 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; Carryl Roy, School Board Representative, Mark LeDoux, Select Board Representative; Darlene Mann, School Board Representative

Members absent: Tom Jambard (excused absence)

Officials present: Rachael Gosselin, Hollis Finance Director; Kelly Sealy, SAU41 Business Administrator

Pledge of Allegiance was recited.

### **Review/Acceptance of Meeting Minutes**

Draft Budget Committee Minutes – September 9, 2020

**MOVED by M. Harris and seconded by M. LeDoux to accept the minutes as written. The motion PASSED unanimously 7-0-0 by rollcall vote.**

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

### **Reports**

K. Sealy gave an HSMART update. She stated that the lighting project is underway after waiting for materials. The primary school is complete as far as installation and they have moved on to the upper schools, which is around 50% complete for installation. Bids have come in for HVAC, which came in much higher than anticipated. The lead engineer is working with the lowest builder on how to bring the cost down. The schools have also begun working with the Fire Chief on installing the sprinklers.

T. Gehan asked about the day to day operations of the schools. C. Roy replied that everything is going well, however they have had some Coronavirus cases where classes had to quarantine. She believes it is very helpful to have the extra nursing staff to deal with these issues. The way the school has responded to Covid-19 exposures has evolved by now doing a Zoom meeting with the parents of the students who may have come in contact with a student that tested positive. She believes things will be more challenging once winter comes, due to not being able to hold classes outside.

M. LeDoux asked what the percentage of those attending in person vs. remote learning. C. Roy answered that she it is a 70/30 split for those in Hollis, and K. Sealy stating it's about 80/20 throughout all three districts.

C. Hyde asked if the ventilation was in place, so C. Roy replied that the heat source pumps have been putting fresh air in the classrooms. K. Sealy stated that the same engineer that did the HSTEP project has also been doing the HSMART project. He did an evaluation for all six schools and gave documents on making repairs and adjustments. The Hollis schools are in great shape because of the systems they have.

T. Gehan asked K. Sealy if she could discuss the documents about the year-end summary for FY20, to which K. Sealy replied that she has the final number that they're able to give back to the tax payers. The final number is \$297,000, which is higher than previously expected. This number is primarily from savings in transportation, the lack of substitutes, and professional development changes.

M. LeDoux stated that with the budgeted \$12.2 million, he is surprised that the amount of savings is only \$297,000. K. Sealy replied that they are still funding warrant articles and retaining \$284,000. K. Sealey stated that the school normally gives back \$100,000 a year to tax payers, but this year they're giving more.

T. Gehan stated that M. LeDoux received an email about unclaimed infrastructure grants, which are federal funds. K. Sealey replied that they are doing camera projects and are able to use those funds for those camera projects in all three districts. T. Gehan asked if there were more items, such as windows, entryway, etc. and K. Sealey said she will be submitting them for the School Board to get the funds.

C. Hyde stated that he is surprised at the numbers because of the change of not doing cafeteria food service, but K. Sealey replied that the food service has been continuing. C. Roy stated that there are remote students can still receive lunches from the school and she knows there are some students who are using this program. D. Mann asked if the federally funded piece will be extended until the end of the school year, but K. Sealey replied that she has not heard.

T. Gehan proceeded to the town update.

M. LeDoux stated that the numbers appear to be in line with their expectations. A public meeting was held in September to discuss proceeding with the refinancing of interest savings. TD Bank has offered an interest rate of 2% vs. the 3.37% we are currently paying, which is on \$1,507,000 of total outstanding debt currently held with Century Bank. The town would be forced to pay a prepayment penalty (roughly \$45,000) to Century Bank. Within the 10 year period, the town will be saving \$316,000 in interest. The TD Bank bond will then be paid off August 2030. The town would pay a higher monthly payment for the first 5 years, about \$105,000 overall. C. Hyde asked if there will still be a savings even with the prepayment penalty. M. LeDoux said that yes we will still be saving \$316,000 over ten years even with the prepayments penalty.

**MOVED by M. Harris and seconded by M. Leavitt to support the town effort to refinance the bond with TD Bank. The motion PASSED unanimously 7-0-0 by rollcall vote.**

T. Gehan asked about the Fire Department overtime, since it looked high. R. Gosselin replied that she is waiting for some reimbursement from FEMA, around \$15,000, to make up for some costs dealing with Covid-19. At this time last year, the overtime was \$22,000 and currently we're at \$42,000. We also just received the money for the school, about \$86,000 from the Goffer Grant.

M. LeDoux mentioned that all the road projects were completed on time and under budget, about \$8,000 under budget.

In regards to Rolling Stock, R. Gosselin mentioned that DPW does not plan to purchase any items, but the Police Department will be looking to purchase 3 cruisers and body cameras, and Communications has some console equipment to purchase but has not given any numbers for that as of yet. T. Gehan mentioned that the town leases instead of buying outright, and would like this explained for those who may be questioning this process. M. LeDoux replied that the cost of capital was much higher in the past than it is now, so buying a very large item meant having a warrant article, raised in the first year of taxation. Instead, they're trying to even out the cash burn for acquisition to Rolling Stock. This would even out the cash flow. M. LeDoux said that both options, whether to buy or lease, would be presented once they do the budget. He mentioned that they have considered just using the Unassigned Fund Balance to purchase outright for recurring warrant articles. T. Gehan asked why police vehicles aren't put in as warrant articles, and M. LeDoux replied that they used to. T. Gehan mentioned that they are required to disclose the multi-year nature of the police vehicles, and every third year they put a slide in the operating budget for the leases of police vehicles. He questioned why Fire equipment, such as trucks and chippers, are in the operating budget but the police vehicles are warrant articles. M. Harris replied that the fire trucks and chippers aren't needing to be replaced as often as police vehicles, which are usually replaced every 3 years to ensure safety and efficiency. M. LeDoux mentioned that they are considering electric vehicle cruisers, because if you can get 100,000 miles out of an electric vehicle, the cost of the maintenance will be significantly less.

### **New Business**

M. Harris stated that the SAU41 proposed FY22 budget has gone up due to retirement, health insurance, salary increases, additional staff, etc. There is a dispute on the SAU governing board about if the salary increase should be reduced to 2% or kept at 3%. He believes the governing board believes the salaries aren't quite competitive, so they don't want to lower the amount of increase. It was also stated that the school budget delta is 7.4% with the 2% increase and 8.4% with the 3% increase. K. Sealey replied that the administrative contract is a minimum 2% increase with a 4% max, so they budget 3%. They had hired a Facilities Director this year, which is now in the budget. D. Mann clarified that part of the Fund Balance from FY21 will offset the cost, and this is not anticipated for FY22. There has also been an 11% increase in health insurance cost for the school district. C. Hyde asked if there was any data that can be shared with the tax payers about school employee salaries and the competitiveness to other communities. M. Harris replied that there was a discussion a few years ago regarding the Maintenance Director being too low, and he will request more information. K. Sealey stated that there hasn't been much turnover, but she is aware that there are concerns. D. Mann believes they cannot support the 3% from a community perspective, which M. Harris agrees.

**MOVED by M. Harris and seconded by M. LeDoux to support the SAU budget as proposed with the 2% salary. The motion PASSED unanimously 7-0-0 by rollcall vote.**

T. Gehan has sent out the assumption and biases and would like to know if anyone has any comments or proposed changes. K. Sealey and C. Roy stated that they are unaware of any big changes with enrollment for the schools.

M. Harris asked about the tax base, to which R. Gosselin replied that it increased almost 2% due to new construction and additions. M. LeDoux stated that he would not be surprised to hear the census report showing 9,000 or more people currently in Hollis. He also stated that on October 12, 2020, \$60,000 was approved from Current Use. T. Gehan stated that other than the increase of the assumption in the growth of the tax base to 1.0%, there are no changes to biases or assumptions. M. Harris stated that the fact that Hollis has in person school and other towns don't, that may be attractive to people who would like to move to the area. He would like to change the verbiage, but not numbers, because he suspects

those coming into town may be coming for the schools and the isolation. K. Sealey replied that she has heard that there are people moving from other locations to Hollis. C. Hyde mentioned that it might be a good idea to keep an eye on growth trends in order to anticipate how to address service needs.

T. Gehan stated that he will put a bullet together stating that population growth may stress services. M. LeDoux stated that the Select Board will reinitiate a new look at the Master Plan documents, but he is waiting for the census data so they don't fall behind the curve. He believes we are ahead of the issues, but will be asking a member of the Budget Committee to participate on the reevaluation on the Master Plan.

T. Gehan stated that it is the practice of the Budget Committee identify a number that they share with the Select Board and the school board and ask them to craft a budget with department heads that is compliant with that. In years past, they have had zero increased budgets, and more recently they've had budgets where they have increases. Unfortunately, health care and insurance are consistently through the roof. He stated that Special Education numbers are not yet developed. None of the add back amounts are relevant to the guidance calculation. Looking at regional CPI, the annualized rate is .8% increase, social security will go up 1.3%, but generally inflation is low. M. LeDoux stated that he would be comfortable with 1%, but would caution that a lot of the expensive they're encountering are not of their own doing, such as the pension fund. The pension managers have set a very high rate of expectation and M. LeDoux sees no relief coming to pension costs unless they're bonded or paid off. The other added costs due to the pandemic is additional overtime and solid waste disposal. M. LeDoux pointed out that 25% of the tax bill is town services, while 75% is county and education costs. Healthcare and pension liabilities are largely out of our hands in the short to intermediate term.

M. Harris believes that since inflation is so low, the guidance should be low also. T. Gehan would like a low to zero percent increase in guidance, but there are lines that are empty for guidance relief items. He would rather spend money on certain line items instead of giving a 1% increase for all. M. LeDoux stated that the 1% would go effect everything not related to labor, retirement, and healthcare, which is a small amount of the budget. K. Sealey stated that the costs are going up for materials due to demand, so that may be an additional expense to consider. C. Hyde mentioned that in the future, we will not have the same costs that we experience this year related to the hybrid mode of education. He believes there may be some savings if some budgeted items are tightened. He also believes a 1% guidance number would be on the high side, and would be comfortable with going a little lower. M. Harris agrees that it could be lower than 1%.

M. LeDoux stated that the percent of the budget that is not healthcare, pension, and salary is not a high amount. He believes that we need more data points before the committee comes up with an actual number.

**MOVED by M. Harris and seconded by C. Hyde that the preliminary guidance be set at .8% for both the school and town budgets. The motion PASSED unanimously 7-0-0 by rollcall vote.**

D. Mann point out that the CBA contracts are removed from the calculated guidance, however the town contracts are not. She would like the school and town to be calculated the same. T. Gehan replied that the cleanest thing to do would be reduce the guidance bases by CBA compensation. This would only happen when a CBA is active.

M. Harris asked if the town will receive less from the meals and room tax, but M. LeDoux replied that he expects more money going to the state for the shortfalls. Currently we receive about \$400,000 from meals and room tax, which is usually for the roads. The Highway Block Grant is about \$220,000. He

believes we should plan accordingly, but we won't know much until around Thanksgiving. Currently we have about \$3,000,000 in the Unassigned Fund Balance and we may have to use some of that.

T. Gehan asked D. Mann if they reduce the base, and D. Mann answered yes. He would like to amend the guidance calculation that would make the adjustment to back out the CBA compensation. He would like this to be discussed more at the next meeting.

#### **Budget Calendar**

T. Gehan noted that co-op budget meeting is set to fall on Christmas Eve, but will be changed. The CBA review meeting has been cancelled.

*Motion to adjourn by M. LeDoux and seconded by D. Mann. The motion PASSED unanimously 7-0-0 by rollcall vote.*