



BUDGET COMMITTEE

Town of Hollis

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

Minutes of April 22, 2008

Meeting was held in the Community Room, Hollis Town Hall and was called to order by Chairman, Chris Hyde at 7:35 PM.

Members present: Chris Hyde, Chairman; Mark Johnson, Selectmen Representative; Bill Beauregard, School Board Representative; Tom Jambard, Bob Labednick, Bill Matthews, Frank Whittemore.

Also present: Paul Calabria, Finance Director

Review of Minutes

Tom moves to approve the Minutes of March 25, 2008 as submitted. Seconded by Frank. Motion unanimously approved.

Paul comments that he has received some feedback from others who have read the minutes, that it appears that the BudCom is getting into too much minutia during their meetings. He cautions the group to try not to problem solve at their meetings. If there are concerns, these should be brought forward to the Selectmen instead of the BudCom.

Town Report

Paul indicates that there is not much going on since the last meeting. He is currently looking at the final proposals for the leasing. This will be discussed at the next Selectmen's meeting. The 1st quarter report is out and everything is tracking well, except for DPW overages on overtime and salt. Bill M asks if the lease rates are in line with what was proposed at town meeting. Paul states that they are actually a little lower, although lease rates are typically not point for point with interest rates that are being lowered by the Federal Government.

Bob asks where the Town stands with the bidding process for town projects, such as Ames Road, Rocky Pond Road and other road projects. Paul states that some preliminary work has already been done for Ames Road. They are waiting until the driest part of the year to continue with this work, as this will cause less disturbance to the wetland areas. Right now it is too wet. Bob questions why the town is not doing the work and will be hiring an outside firm to do it. Mark indicates that the town does not have the correct equipment to install culverts. Bob argues that the voters recently approved a lease for a new excavator. He questions why this is not being used to install the culverts. Mark comments that this job is much larger than what the town's excavator can handle. The size of the concrete box culvert is massive. Bob states that the town could always rent a larger excavator instead of hiring another firm. Bill B stresses that these questions should really be directed at Jeff Babel, Director of DPW. Paul states that he will get an answer to this question.

Chris mentions that Brookline collects sand from the roads and reuses this for other projects. He questions why Hollis does not do this, as a way to conserve. At a previous meeting it was indicated there was concern about gas and oil mixed with the sand. He feels this could be a way to save money for the town. Mark states that Hollis will begin doing this. Hollis Construction has a sifter that the town will be able to utilize. It will all depend on other materials that get mixed in with the sand, such as leaves or small branches.

School Report

Bill B states that earlier today he emailed the latest budget spreadsheet, which covers all expenses through March. They are currently at 70% of the budget for the year. So far it is tracking well. They are running a tight ship.

Budget Guidance

Chris comments that the spreadsheet shown at town meeting shows all proposed warrant articles and calculates the potential tax impact. For this calculation there are several items that are estimated. The town does not get certain information until later in the year. The town valuation is estimated, as well as the revenue. These estimates in revenue can be problematic. The State does not give education grant information until after the town and district meetings are done. He feels the BudCom should also be working with the coop and Brookline to control the SAU costs. The SAU apportionment is different than the coop apportionment. Chris comments that the BudCom has been setting the guidance starting in September/October each year. He asks how they should change their process.

Frank questions what factors have changed to make it necessary to change the process. Chris feels the budget setting process is one-sided; what it takes to run the school or the town. They do not take into consideration what the budget does to the tax rate and the strain it puts on taxpayers. In past years the State revenues have been declining and the taxes have been going up. This coming year this may go the other way based on some changes at the State that may be coming down, yet this only gives an artificial break in taxes. He feels they need to keep the taxpayer in mind. The school and town have been questioning the appropriateness of using the cpi for the guidance.

Frank states that they need to look at the needs of the town instead of the wants of the town. The recent tax study done by Jim Squires' committee shows that many people in town are in trouble with their taxes. With the existing market, having taxes increase by 3% each year is terrible. He questions when the revaluation will happen. Chris states that this has been completed. The statistical analysis should be done soon. Bill M states that this will just even out who pays what.

Bill B wonders how it is being assumed that the voters are not involved in the process. There are 3 public hearings on the budgets, then 3 public meetings where the taxpayers have a chance to voice their opinions and vote. The BudCom gives guidance, the school and town put in countless hours preparing the budget and the voters have the opportunity to cast their vote. He questions how they could do this any better. He asks if there is another price index that more closely tracks with a school or town. Chris agrees that they do need to look into this.

Chris feels they also need to look at increased efficiencies. Currently there is no impetus to look at efficiencies. There has been a 35% tax increase over several years. This cannot be sustained. Bill B feels they should take apart this 35% increase to determine what was driving those increases. Much of this was based on revenue. Many items were 1 time expenses. What this comes down to is if the town is willing to cut services. Chris feels this may be necessary.

Bill M states that the BudCom has not been looking at the need, they have been focusing on affordability. Chris states that the past guidance setting has been very formulaic with the cpi and other growth items. Bill B stresses that the school board negotiated a better contract this year. They worked very hard at this. Chris agrees it was better, but is still not where it should be. Over the last 10 years, the average teacher has received 6% or more pay increases. Bill B disagrees. Anyone in their last step are getting smaller raises. This accounts for 35% of the workforce. The next contract allows for only a 1% increase plus the step increase. Chris argues that the step gives 3.5%, which added to the 1% gives a 4.5% increase for the year. Over time they need to bring this big budget drivers into control.

Chris is not sure the cpi actually does the town or school any good. This number fluctuates considerably. Mort Goulder always stressed that the BudCom should just set a number and stick to it. He didn't care about the formula. Bob shows a newspaper article that shows that Hollis schools are one of the highest paid communities in NH. Bill B stresses that if they reduce the salaries, they will not be competitive in hiring new teachers. Hollis is placed at #4. This gives quality and experienced teachers to help our children with a better education. If this gets pushed lower, there will be a drastic decline in our children's academics. Bob states that they need to rein this in, as it is getting out of control.

Bill B explains that there is also a natural cycle with retirements and new hires with lower pay. Over the next few years, more than 50% of the teachers will be at their top step and only receiving 2.5% raises. Chris recalls hearing at a previous meeting that they typically hire at Masters +5 level. Bill B explains that this is what is used for budgeting purposes. As a place holder. They have no control over who applies for the position. There are also many new and added responsibilities being demanded of teachers these days. There are food allergies, more testing requirements, the need to teach to children with reading/math difficulties, as well as the need to teach to those children that are above the curve. Much is required of teachers now. Personally, he feels they are underpaid.

Bob stresses that when this salary information is given to the press, it gives the wrong impression to the public. It tells the public that they are paying too much and their taxes are high because of teacher's salaries. He passes the article over to Bill B to review.

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Bill (after reading the article) stresses that this is merely showing what the pay scale is. It does not show what the teachers are really being paid. This does not show how many teachers are at each level. This gives a good impression to prospective new hires. It is merely a salary range.

Mark feels that the discussion of what can taxpayers afford is a good question for the BudCom. If they merely plug the new cpi into a formula each year, why have a BudCom. The BudCom was elected to oversee the budget and taxes. Tom comments that he has lived in Hollis his entire life and has never seen so few people attending meetings. Mark agrees. If people in the lower income bracket would attend all meetings, they could rule the results. The BudCom has every right to discuss needs vs. wants. He stresses that we are in a different economy now, with no place for wish lists. He agrees with Chris. The budget all comes down to where the money is spent. Much is wrapped around employees, with salaries and benefits.

Mark also agrees with Bill B that employees need to be paid well. If he was having a heart attack, he would want someone that is very qualified and well paid showing up to help him. The spending in town reflects the desires of the taxpayers. This is what they voted. The economy is changing. If the BudCom wants to cut the budget, he will support this. If services need to be cut to accomplish this, then they will go to town meeting and let the taxpayers vote. He has not seen the voters supporting this concept. They appear to want the existing services. Reducing the cpi will mean reducing services.

Frank comments that when businesses have a problem, they look at administration as the first step in cost cutting. He feels the school administration is way out of line. Bill B mentions that the school board just commissioned a study to look at their current administrative model. This study will look at ways to gain further efficiencies with this current model. He hopes to have this done by June. They are doing the same with special education.

Chris comments that several years ago the SAU put together a fte (full time equivalent) spreadsheet for the BudCom. This was very helpful to see where the money is being spent. He would still like to have this report. He questions the status of this. He intends to demand this information for this coming year. Bill B states that this information was given to Dan Peterson for the Strategic Planning Committee, yet it was not in the same format as what the BudCom would like. He does not know when there will be full staffing in the SAU office to continue working on this. The newest module for the computer system is being installed right now, which will help with generating this report. He stresses that the SAU office had a new business administrator start in the Fall. Shortly thereafter the assistant business administrator left, leaving the new business administrator to work on 3 budgets, 2 negotiations, hiring of new staff, learning a new computer program, as well as all the other day to day duties. She has had much on her plate this past year. Chris agrees this past year has had some difficulties, however the BudCom has gone 3 years without this report. It has been requested each year with no luck.

Mark mentions that he read a newspaper article from Maine this past week regarding the new superintendent that has been hired by Hollis. The article indicates that she began job searching and wished to leave her current position in Maine, as they were looking to reduce administrative costs and she feared she may lose her job with the upcoming changes. Mark is concerned with this. He is concerned about the SAU budget. Chris agrees. There is an RSA that, if passed, would place the SAU budget as a warrant article on each school district warrant. Mark would support this effort. The SAU should not be afraid to have their budget voted on by the taxpayers. Bill B states that their budget is approved as part of the school budget. Chris agrees that this is true, however it cannot be altered. There is no BudCom oversight and the budget is merely assumed into each of the school district's budgets. Most of the SAU budget hearings are not attended. When salaries are voted on at the SAU level, no one has a say in this. \$.75 of the tax rate or \$1,100,000 of the budget is for the SAU. Bill B stresses that this is their total budget, which is also paid by Brookline.

Chris indicates that he has heard from numerous people that the cpi is not the correct vehicle to use for the guidance. He would like the school board and the selectmen to think about what they feel would be equitable to use for this purpose. Bill M asks if there are any differences this year that the BudCom should be made aware of before setting the guidance. Any big expenditures or more revenue? Tom comments that the biggest part of the presented budgets are salaries and the next big item is utility costs (gas, oil). The part of the budget that can be impacted is very small. Chris states that when negotiating new contracts they need to keep these other items in mind. Bill B mentions that the school board did have a professional negotiator help this year. The impact on the voters was a major theme at every meeting. Chris feels they need to enter into the negotiations with a target in mind.

Mark appreciates Tom's point. The selectmen are constantly looking for ways to meet the BudCom's target. This year the town hall needs some major renovations. Other facilities are caught up and this year the vehicle fleet was dealt with. There are no other big wants. The town hall is a need. Tom feels that saying there are no big wants is really a pipe dream. Chris comments that there are 3 budget entities for Hollis taxpayers; the town, Hollis school and the coop school. He questions how they can all do a better job in knowing what is coming from each entity.

Potential Tax Impacts – Retirement System Changes

Chris explains that the NH House recently passed 2 Bills that may have a large tax impact on Hollis. The first, House Bill 1645 involves changes to the current retirement system. This retirement system affects police, fire, dpw, town, and school employees, as well as administration. Last week he attended a dinner sponsored by the Local Government Center. This Bill passed through the House overwhelmingly. Currently each employee contributes a portion of their pay, with the employer contributing the balance. The contribution amount is set by a Trustees Board overseeing the retirement system. Due to the lack of investment return and underfunding to this system, the State is now in a \$2,700,000,000 deficit to this account. This deficit must be bridged somehow.

A Commission was formed to study the problem. They have recommended changes to the current system. Apparently over time, the Trustees and the Legislature have added items to the system that were not part of the original plan, such as cost of living increases and health system benefits. The Commission has recommended pulling some of these items back out.

Part of the concern is that if items are put into the system, it would create an unfunded mandate. The fear is that the IRS would say this funding does not work for a tax exempt retirement system and would revoke the tax exemption. They need to remove the 8% escalator and put a cap onto the year 2010 level. HB 1645 addresses these issues. The Bill was passed by the House and is now before the Senate to be voted on in the next 2 weeks. Last week the Brookline selectmen invited Senator Gottesman to attend their meeting last night, however he could not attend. Chris did go, as well as a few of the Hollis selectmen to discuss this with Brookline. Chris extended an invitation for Senator Gottesman to come this evening to the BudCom meeting but he could not. They are hoping he will be able to attend next week's selectmen's meeting.

Chris explains that this will be a financial impact to the taxpayers. If the Bill does not pass, it will cost approximately \$400,000 to Hollis taxpayers. If the Bill does pass, the impact will be only \$100,000. This is a delta of \$300,000. This is major. He stresses that they all need to support this Bill. They need to influence our Senators to vote in favor of this Bill. He heard that Senator Gottesman has commented that the poor fireman cannot retire at an early age anymore with this Bill. He feels the Senator may be biased by the union influence.

The Bill will take away the 8% health cost escalator, will change the composition of the Trustees so employees will have less representation on the board, will amend the system so that employees cannot retire with more than 100% of their salary, it will extend the length of service slightly and will change some flow issues, where benefits were changed around the back door with unfunded mandates. This will be in the employees best interest. It will make the system fiscally sound and will not create a public rush to retire.

Tom questions how this will affect existing retirees. Chris explains that existing retirees will remain covered. It will place a cap on the 2010 level. All existing employees will be covered and police/fire employees will have their length of service extended. Mark has a letter from Representative Carolyn Gargasz where she indicates that she heard from the Local Government Center that this is not about employers vs. employees. This is trying to fix a problem. Right now there is a minimum fixed amount for retirement, with a maximum employee contribution and a very large gap in between. This will help close the gap. The coop school board did have a meeting with Senator Gottesman, who indicated that he has only heard from employees on this issue. The Local Government Center feels there is a need to find funding that will save the system, yet something the taxpayers can afford. To continue funding this at the current level, services will have to be cut.

Chris comments that this Bill was strongly support in the House, yet the Senate has less people. The unions are pressing the Senators, hoping to defeat the Bill. In reality, this is a broken system that needs to be fixed. He urges the public to contact Senator Gottesman to vote in favor of this Bill. This will retain the retirement system and give long term stability to the fund. The current system is poorly crafted.

Bill B asks if there is a website that has been created that has pre-written letters to this issue, where residents have to type in their zip code and the letter is automatically sent to the correct Senator. The unions are using this type of technology to send multiple messages. The town needs to find a way to get the facts out to the public, so an informed decision can be made before people talk to their Senators. Chris indicates that he did ask about this and was told that most Representatives and Senators ignore those type of bulk emails. He was distressed to hear this.

Chris again urges the public to contact Senator Gottesman with their concerns, via email or phone. Mark invites the public to attend Monday night's selectmen's meeting.

Potential Tax Impacts – Workforce Housing

Chris explains that the second House Bill with potential financial impacts to Hollis is HB 1472. Currently all towns that adopt zoning ordinances can establish rules to allow for open space and protection of natural resources. The problem is that developers want to have more intensive projects. The NH Supreme Court feels that towns should allow for workforce housing in their ordinances. This Bill will partly fill in some of the gaps by defining what is considered to be workforce salary expectations (around \$84,000/year) and what is considered to be workforce housing (rental properties, lower income mortgages, lower income taxes and insurance and no more than 30% of annual salary).

Hollis has intense competition with valuable property. Land is expensive in Hollis. To purchase land in Hollis, developers cannot building houses to meet these guidelines. The Bill will require the town to change its zoning to allow for more intensive development or an expedited path to court in order to challenge the town. What the Bill does not do is to define “fair share”. Hollis has spent much money protecting the land and water quality.

The House has indicated that this Bill may impact the Court system with increased law suits challenging the zoning laws in different communities, yet they do not feel it will impact the local towns. Chris does not agree. If the town is challenged, they must spend money to defend themselves. It will have an impact. If they are forced to allow for more intensive developments, this will impact the schools and other services in town. The Bill also has language that causes these changes to go into effect 60 days after passage. This does not allow time for communities to change their zoning ordinances to reflect this change. This will open up the town to challenge.

Frank asks if Senator Gottesman has taken a position on this yet. Chris is not sure. He heard that many business in NH have voiced their opinion that there is not enough housing to attract good employees and also the loss of revenue this creates. This Bill is being supported by developers and banks. Mark comments that this is socialism – pure and simple. Tom asks if the Bill indicates home may units have to be constructed. Chris states that the Bill starts to define this, but not really. It does not define “fair share”. Tom comments that they have been through this in the past. Hollis already has Apple Lane, Flint Pond and 2 mobile home zones. This is just developers wanting to have more clustered developments. Bill M comments that the State needs to set this “fair share” number. Chris agrees. It seems like an unfair taking to him. It will ultimately have a financial impact to the town. It may be subtle and hard to estimate, but there will be an impact.

Long Range Planning

Due to the late hour, the BudCom put off this discussion until the next meeting.

Scheduling Upcoming Work

- School Food Service - Due to the late hour, the BudCom put off this discussion until the next meeting.
- School Maintenance Fund - Due to the late hour, the BudCom put off this discussion until the next meeting.
- Joint Meeting – This may also include Brookline. Chris feels the BudCom should get together with the selectmen and the school boards at least once per year. This would be to discuss items that may be coming down the pipe in the future. It will help us all to plan ahead. Mark will discuss this with the selectmen. All members agree this would be a good idea. Bill B questions who would run the meeting. Chris feels that since the BudCom has oversight on the selectmen and school board, they should run the meeting. Bill will discuss this with the school board. Bill M asks if this would also include the coop school board and BudCom. Chris feels it should.

Other Business

Mark announces that the town is being sued by the Merrimack Village District. The Assessing Department revoked the current use status of their land and placed it into full value taxation. They own 30 acres where their well is situated. He is not sure why this goes to Superior Court and not to the BTLA. Debbie questions why they didn't just file for an abatement first. Mark is not sure. He will keep the BudCom updated on this.

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Bill M asks if there will be any BudCom representation on the Facility Study Committee recently formed by the selectmen. Mark asks if he is offering to serve on this committee. This is an outgrowth of the Strategic Planning Committee.

Frank moves to adjourn. Seconded by Tom. Motion unanimously approved.

Meeting adjourned at 9:30 pm.

Respectfully submitted,

Deborah Adams, Secretary