



BUDGET COMMITTEE

Town of Hollis

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Minutes of May 27, 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; Mike Harris, Vice Chairman; Bill Beauregard, School Board Representative; Tom Jambard, Bob Labednick, Bill Matthews.

Also present: Paul Calabria, Finance Director

Review of Minutes

Tom moves to approve the Minutes of April 22, 2008 as submitted. Seconded by Bill M. Motion unanimously approved, with Mike abstaining.

Town Report

Paul states that the Selectmen have awarded the capital leasing contract to DLL Leasing. They offered the most favorable leasing agreements. This will end up being \$25,000-\$30,000 under budget for the total of all leases. They are still negotiating trade in values for those vehicles/equipment that are being traded. This will be done through the individual dealers where the lease will be made. So far the budget is going well. There are no departments in any serious shape. Mark Johnson did send an email to all department heads asking them to monitor their gas consumption.

Mike questions the issue with sand and salt. He thought these were overbudget already for the year. Paul indicates that they are overbudget on those items. More sand and salt will be purchased now, as the rates are much better now than next fall/winter. Overall, through April this is 6% overspent, yet there is not much going on right now.

Mike asks if there were any surprises with the leases. Paul explains that lease rates do not follow prime rates, which the Feds have been bringing down. They more closely follow the bond market. He was hoping they would come in substantially under what was presented and approved at town meeting, however they will only be slightly under. The lease agreements still need to be finalized by Attorney Drescher. Since they cannot bind future town meetings, the contracts must be worded accordingly.

Bob comments that they were budgeting \$4.00/gallon for diesel, yet the cost is much higher now. Paul states that all departments are being forced to monitor their fuel usage. The town is not responsible for Federal Taxes on fuel, therefore they are paying a bit less than what we see at the pumps right now. Mike questions the amount of this tax. Bob states that this is about \$.20. Diesel is around \$4.50 right now. This is definitely going to affect the budget. Paul mentions that this will also impact heating costs. They will soon be renegotiating pre-buy oil for next winter. Mike would like to see a contingency plan should fuel go up to a point that will start affecting services. He knows that these prices have not leveled off yet and will continue to rise. Bob comments that propane fuel is also way up and some town buildings use this as well. Chris mentions that he recently saw the police motorcycle in use. Paul points out that there is also a bicycle patrol that is used on nice days.

Chris comments that he did not have the chance to attend the DPW garage walk-through, however Bob did manage to attend. Paul states that from what he has been told, the Selectmen informed Jeff Babel to make due with what he has, as the town hall is the higher priority. Bob states that there are a few problems at the garage that are safety issues. He believes these items could be corrected fairly inexpensively right now, until a more permanent solution is done in the future. The building could be made safe for little money to help buy some more time. He stresses that this needs to be done. Chris indicates that he was a bit miffed that after recently going through the whole budget review and town meeting process, this was never mentioned. He questions what

else has been left out that will come to light soon. He would like to discuss this lack of information and what else may be looming on the horizon at a future meeting.

Mike also questions why the BudCom was not apprised of these safety issues. Chris states that he received an email on a Friday regarding a walk-through on Monday. Tom thought the town had already done some work at DPW. He questions why this was not done then. Paul explains that the previous DPW Director felt that the fire and police stations were a higher priority at the time, so he pushed off doing work on his own buildings. Mike sees this as a credibility issue. The recent bonds that were done for safety items were supposed to take care of things on all town buildings, other than at town hall, for a very long time. Now they are hearing that this was not the case.

Paul explains that the architect provided a low figure that was used for the bond amount for the warrant article when this issue went to town meeting. When the actual bids came in, the whole project was \$700,000 under funded. He is not sure what did not get done. Mike feels that when the town goes back to the voters for more money, it becomes a credibility issue. Overtime this wears thin with the voters. Chris feels that any employee safety/public hazard issues should rise to the top of the priority list. Bob recalls hearing that the DPW cannot wash their trucks outdoors because of EPA issues, yet they cannot do this inside the garage either, as there are no floor drains to catch and filter the water. Paul mentions that this was done at the fire station and in the sallyport at the police station. Tom recalls that this was supposed to be done at the DPW garage. Chris suggests having the DPW trucks washed at the fire station for now.

Mike is still concerned over this credibility issue. Bill M suggests explaining at town meeting what was budgeted for the facilities project, what the bids came in at, what projects were done, what projects did not get done and what they plan to do about it. This would be full disclosure to the public.

School Report

Bill B emailed a few items to the BudCom earlier in the day. Chris mentions that he has reviewed the financial report, which appears to be in good shape, except for Office of Superintendent and Transportation. He is not sure if these line items will continue this trend for the rest of the school year. Mike comments that Office of Superintendent is a set amount that is paid from the budget. The school should be under no obligation to pay more if they overspend. Bill M comments that there may be spending done at the end of the school year, once it is determined that there will be money to spend. Chris adds that there may also be some retirements.

Chris continues reading Bill B's email. The audit report has come in. Chris has read the introduction and the synopsis. This audit report indicates that the district has not done a full accounting of assets within the district, yet the business administrator's recent report shows that they just completed a capital asset valuation. This is now complete, yet the audit does not report this. Debbie points out that the audit is reporting on data through June 30, 2007 and this valuation is a new item that will be audited next year.

Bill B arrives at this time.

Bill states that the auditors found everything to be materially in order. There were no negative findings. Chris points out that the back page lists other items, but nothing consequential. Bill B comments that the audit took so long, as the new rules slowed up the process. Chris agrees that overall the audit is good. Mike feels the audit letter is obscurely worded. He is not sure what it means. Chris states that if they take the 1st page letter into consideration, it makes more sense. There are some items that cannot be accounted for, as they are not being done. Mike interprets the letter to mean that the SAU needs internal controls to monitor their efficiencies. Chris is not sure what it means. Mike feels they should ask the auditors to put their comments into plain English, so everyone can understand it. It appears they are hinting that the existing internal controls are not robust, but he would really like to know what they are really trying to get at. Bill B agrees with Mike. He is not sure what they are saying. This was on his list of items to follow up on.

Bill B refers to the business administrator's report he emailed earlier today. These are all topical issues that have been discussed before. The food service review is going well, however one person currently working on this will be leaving on maternity soon. The other issue with this area is the continuing rising cost of food. Every time the business administrator attempts to put a stake in the ground with a firm recommendation, the costs go up again. Chris suggests using a market based price structure for this. It may be more confusing to parents, yet if the school sets the lunch prices on a month to month basis, the menu could then be planned accordingly. Bill B agrees they may have to do this. Currently the lunch is at \$2.00, which is affordable. The new superintendent will be starting on July 1st. The food service issue will be one of the first items to be discussed with her.

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Chris questions how they are handling training, with so much personnel leaving over the past year or so. How are they addressing this? Bill B agrees that there has been a large rate of turn over this past year. The school board has been looking into whether this is being pushed by any systemic issues. It seems to be a pay issue. People with these skills can leave for better paying positions in the private sector. During exit interviews some have mentioned this as their reason for leaving. He will be discussing this with Dawna.

Bill B reports that the principal search is on track, as well as the assistant principal search. Bob asks if they are losing more people now before the current retirement clause in the contract changes. Bill B is not sure if this is more an age issue or a benefits issue. He stresses that neither principal is retiring; they are leaving to work in other school districts. The contract also sets a limit of only 4 retirements per year. There will be 3-4 retirements this year. Others are taking medical leaves. In the business office, these were not retirements. There have been medical reasons or family issues that have forced changes from full time to part time or to leave totally. For others it was salary related.

Budget Guidance

Chris comments that at the April meeting he urged the school board and selectmen to make recommendations to the BudCom regarding what they would prefer to use for a budget formula instead of the CPI. Bill B states that he spoke with the superintendent about this. While he did not have an alternative formula to recommend, he did comment on several items (fuel, benefits, retirement benefits) that are growing out of control. He is concerned that if these items are capped by a CPI increase, it will ultimately impact services. If there is an increase in town valuation, some consideration for this should be offered. If there are more tax revenues, this should be factored into what the school is allowed to spend. Bill M comments that the coop uses the CPI as the amount of increase to the tax rate. Mike comments that the actual rate of increase has been nowhere close to CPI. Chris feels they also need to account for the declining student population. Mike agrees. He sees this as a hidden increase.

Chris asks Paul to discuss this with Mark Johnson. He would really like to hear some input from the Selectmen, with any formula recommendations from the town's perspective. Mike states that many people feel the CPI is inaccurate for town or school purposes. He questions if there are any other indexes out there that would be more appropriate. Bill B recalls that during his first year on the school board, he was given a large green binder with budget information. He could not work with this. As a result, he implemented spreadsheets that makes review of the budget easier to review from different angles.

Bill B points out that it is hard to estimate benefits in November, when the actual figures do not come out until May. They anticipate and budget for a 10% increase, but the true costs come in at 13%. They cannot judge this. It is also hard to determine what benefit choices the new hires may be taking. Bill M agrees that the costs are also dependent on what plan each employee takes. Mike mentions that there is also a cap on benefits that is built into the contract. This cap is the pressure to help contain costs. Chris stresses that if one area of the budget is taking up more of the pie, then the other slices of the pie must adjust accordingly. He is not seeing the same pressure on employees in the public sector as he is seeing in the private sector. Bill B stresses that the cap is causing the teachers in Hollis to pay more than teachers in neighboring communities.

Bill M would like to look back in history to see where the money has been going. He would like to see a breakdown of costs and see how it has been changing over time. Mike stresses that this is part of the FTE spreadsheet that the BudCom has been asking the SAU to produce for years. Bill B feels this is something they will be able to breakout with the new budget model. Dawna plans to discuss this with the other school boards, to see if they would like to use the same model, which would make it consistent across the SAU. Dawna is now heading into her second year with this position, so she is more familiar with what the BudCom wants. Mike would like to look at the employee contribution over time. To see how much their share of these escalating costs have gone up. He questions how much of their salary increases are being eaten up by their share of the increase in benefits.

Chris checked with the Bureau of Labor Statistics. The last CPI was done in March. If they assume a 3% CPI for the next few months, this would put the guidance at 2.8% - 3%. Is this really what the BudCom wants for a guidance? Mike stresses that most people feel that inflation is extremely high right now. Chris questions what portion of the budget is fuel related. If this is only 1% of the budget, then the higher fuel costs will not affect the budget too badly. Bill M points out that health care used to be only 6% of personnel costs, yet it is now at 15%. This hurts.

Chris would like to continue this discussion on Budget Guidance at the August meeting, with input from the selectmen and school board.

Bill M leaves at this time.

State Laws Impacting Hollis

- Retirement System, HB 1645 – This will certainly impact the costs Hollis will have to bear. If this passes, as it was submitted to the House, there will be at least a \$300,000 difference to the town. Chris recently spoke with Senator Burling about the process. He learned a lot about legislation. Apparently they cannot negotiate if they agree on the Bill. The Senate did take a lot of contrary opinions on this Bill, from all sides of the issue. It is currently at the Conference Committee. It will be hammered out, ratified and then will become law. Chris recommends getting in touch with our Representatives about this issue and the impact it will have on the community. Both Betty Hall and Melanie Levesque voted against it. The BudCom and selectmen have already given Senator Gottesman their opinion.

With the current retirement system, the town will see a \$120,000 increase to their retirement costs, the school will see a \$180,000 increase and the coop's increase will bring the total for the town up to around \$500,000. If this passes, this increase will be reduced by close to \$300,000.

Some changes included in the Bill involve increasing the years of service for police and fire personnel from 20 years to 25 years, changing the method used for determining the ending salary and altering the Board structure. There was an interesting editorial recently in the paper regarding how the Board has done much traveling, supposedly for investment training.

Bill B asks if there will be any further opportunities to offer testimony on this Bill. Mike comments that if the Bill is already in Conference, then there most likely will be no further testimony taken. Chris agrees. Bill B questions what will happen if they end up defeating this Bill. Will the next step be a lawsuit? Chris points out that Hollis is part of a group that is attempting to fight the system. There are certain benefits that were never supposed to affect the taxpayers, yet have created an unfunded mandate. This is a problem.

- Evergreen Bargaining Contract, HB 1436 – This has already passed the House and Senate and is at the Governor's desk for signing. Mike thought the schools have always had an evergreen clause in their contracts. If the new contract does not pass, the old contract would prevail. They could continue working, status quo. Bill B explains that they were told by their attorney that if the new contract did not pass, then they would not have a contract to continue working with. Chris states that this Bill will allow union employees to continue receiving salary increases, even if the negotiated contract fails. Mike recalls the evergreen clause in the past was much different. It did not allow for salary increases. Other terms of the contract would continue. The idea of mandating the town to issue salary increases on a failed contract is not fair to the community. Chris agrees. This is currently pending the Governor's signature.
- Education Aid, SB 539 – This has passed and is awaiting signature. This Bill will maintain the existing aid for the next 2 years, before beginning a new formula for aid starting in 2010 and 2011. Proposed changes prior to this version of the Bill gave Hollis an anticipation of a \$1,000,000 boost over the next few years, however this will now be reduced to about 15% of that large boost.
- Workforce Housing, MB 342 – This has also passed and is awaiting signature. This will probably impact Hollis' land use boards and their effectiveness. Mike asks if this will affect Hollis. Debbie indicates that it will. The town will be forced to adopt new ordinances to allow for this kind of housing, with a much greater density that is currently allowed. If the Planning Board denies a proposed development, the developer will be entitled to an expedited process to court to appeal the decision. This will cost the town in court and attorney fees. Mike stresses that a town with public water and sewer will have an easier time complying with this. He does not see how the State can force Hollis to comply when all homes will have private wells and septic. Bill B indicates that they will be able to force Hollis to do this. Chris comments that once this Bill is signed, it will go into effect within 60 days. Debbie states that this was recently changed to be effective July 1, 2009 to allow communities time to incorporate this into their zoning ordinances.

Agenda for Discussion Items

- School Food Service – Chris suggests waiting to see what the school board's recommendation will be on this. Bill B explains that they are currently looking at both cost and revenue, as well as efficiencies. Mike comments that food services is supposed to be self funding. Bill B explains that with food prices increasing so quickly, it has been hard to keep this in check. They have tried setting new costs, yet each time they set the fee, food costs increase again. Mike questions the children that cannot afford this. Bill B does not know the number of students that qualify for any assistance.

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Chris would like to discuss this in August, hopefully with school board recommendations. Personally, if he hears a proposal other than self-funding, he will want to discuss this much further. Bill agrees that this cannot be subsidized from the general fund.

- School Maintenance & Town Recreation Fund – Bill B explains that they have formed a committee, which has been aggressively looking at this. They are currently working on prioritizing the list. Mike would like to see a summary in August/September. Paul states that he is currently setting up the special revenue account for Recreation. He should have something to report by the next meeting.
- Guidance – Chris would like to discuss this a bit during the next meeting, with a serious discussion at the August meeting.
- Joint Meeting – Chris still wants to do this, although not on a normal meeting night. He would like to hold this on a separate night, so as not to infringe on regular business. He suggests sometime in August. Mike feels that many members would be on vacation at that time. He feels they should discuss the idea with the various boards and set up some agenda items.
- Short and Long Term Forecast – Chris points out that they already know of issues at town hall and now at the DPW garage. The strategic planning committee has recommended looking forward to see how costs can be leveled out. Mike agrees. He would like to hear from the selectmen what they are looking towards with the various town buildings. He asks if there are any capital projects on the horizon for the schools. Bill B does not know of anything for Hollis. The coop still has some needs.

Other Business

Bob comments that the selectmen budgeted \$40,000 for building maintenance/emergencies. \$20,000 of this is already gone and it has only been a few months. There are still 9 more months before the next budget. He asks what they are going to do. Paul explains that all contingencies from individual departments have been lumped into this one contingency fund. Chris states that repairs to DPW should come from this, as well as the situation at town hall with the structure.

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

Meeting adjourned at 9:00 pm.

Respectfully submitted,

Deborah Adams, Secretary