



BUDGET COMMITTEE

Town of Hollis

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

Minutes of October 28, 2008

Meeting was held in the Community Room, Hollis Town Hall and was called to order by Chairman, Chris Hyde at 7:30 PM.

Members present: Chris Hyde, Chairman; Mike Harris, Vice Chairman; Mark LeDoux, Selectmen's Representative; Bill Beaugard, School Board Representative; Tom Jambard, Bob Labednick, Bill Matthews, Frank Whittemore.

Also present: Paul Calabria, Finance Director; Peter Band, Selectman

Review of Minutes

Tom moves to approve the September 30, 2008 Minutes as amended. Seconded by Bob. Motion unanimously approved.

Bill B. comments that while reviewing both the August and September minutes, he noticed how the September minutes indicate that the BudCom voted in August to recommend a flat budget for the guidance, however he finds no mention in the August minutes of any vote being taken on this. He feels that an important direction such as budget guidance to the Town and School should be documented with a vote. Chris agrees this should be handled appropriately and will have the BudCom vote on this later in the meeting. Bill points out that while the idea of recommending flat budgets as a guidance may seem like a good idea, however there may be unintended or unanticipated negative implications to doing this. They should be careful to not become penny wise and pound foolish. Chris recalls that they did discuss in August what a flat budget would really mean, as it may not be technically flat in reality.

Town Report

Paul states that he gave his quarterly report to the Selectmen at their meeting last night. He is projecting that all departments will be right on target this year. There are still a few costs that will need to be absorbed, yet overall they will remain under budget. The tax rate has been set by the DRA at \$20.95, which was exactly what they had estimated. It took a while to get this number, as there were a few items that they were waiting on, mostly information from the Department of Education. They only used \$9,000 from the fund balance to reach this number. The net appropriations for the town increased 3% from last year, the school increased 5% and the county was up 5%. Overall this is an increase of 4.34% over last year.

Paul reports that a meeting has been set up for later this week in hopes of renegotiating the oil contract for the town and school. Paul, the superintendent, Dawna, a few selectmen and a representative from Lorden Oil should be present at this meeting. The school alone uses 140,000 gallons of fuel each year. Peter comments that while there may be some penalties in doing this renegotiation, if they can save the tax payers some money, it will be worth it. Tom points out that the newspaper article did not give the impression that the oil company would be willing to renegotiate the contract. Bill cautions against this discussion, as the BudCom is heading into dangerous territory by verging onto a topic that should be discussed in a non-public session. He is not sure what will happen at this meeting and the BudCom should not be discussing it, as this meeting is a negotiation. Chris agrees. Chris suggests having legal counsel review the wording of the contract. Peter indicates that the town will do this.

Mike Harris arrives at this time.

Paul states that the CPI could actually be a negative number for the next reporting period in November. The last period it was at 4.7, however it has been tracking much lower. Paul mentions that a representative from the DRA met with the Selectmen last night at their meeting. This discussion was very enlightening. He explained the statistical update process to the Board. It was interesting to him to hear how other communities have been handling this process, for example, Londonderry has 4 full time staff

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employees working in their assessing office, Hollis has 1. Chris recalls that during the public forum a few months ago, the DRA representative indicated that there are no RSA mandates that the town must have a 100% revaluation every 5 years. He questions if anyone asked about this last night. Peter explains that while there are no actual mandates for this, in practicality there are many pressures put upon municipalities where this must be done every 5 years. Chris feels they could get enough sampling as homes are sold. Peter stresses that the Town must handle this appropriately and it must be done with the rigor and details that will satisfy the DRA. If the updates are not done correctly, the Town can get into trouble.

Peter reports that Dick Casale presented town hall renovation plans to the Selectmen last night. He has been working with Hutter Construction to establish a ballpark estimate to fix the structural elements within the clock tower and to renovate the main building to meet current building codes and provide office space needs. He did not present architectural drawings that would be used for a bidding process. That was never the intent, however this fact did cause confusion during the meeting. At this time, the estimate is approximately \$2,000,000 to fix this building. Yet additional funds would need to be added as a contingency, as most construction projects do not come in on budget. The Selectmen have not voted on this project. He is not sure if this can be done this year with the current financial crisis.

Bill B. asks if this could be done in different phases to help spread out the costs. Such as making the structural repairs to the tower first, then addressing other code issues later, then upgrading offices. Peter explains that while the tower could be done separately at around \$200,000, the other items will need to be done together, as they are interrelated. He stressed that these structural problems within the building need to be addressed, yet he is not sure if they can do it now. He thinks what was presented was a good report. Chris asks if the Selectmen will be voting on whether to place this on the warrant. Peter confirms that they will be discussing this at upcoming meetings and having a vote, although he is not sure when.

Bill B. comments that the process used by the school to purchase their oil is much different than the process used by the town. The school puts much investigation into their process. He is curious how the town handles this and if there is any policy or procedure governing it. Peter states that it is done more as a deliberative process. Most purchases are handled this way with a Board of Selectmen. The ultimate decision is made by the Selectmen, who must also sign off on the manifest for any payments. Bill B. explains that the school has a repeatable process that is duplicated each year. This way they can justify the process on how they got to the point of signing the contract. He has ready the Selectmen's minutes, but does not see what process was used for the oil contract. The way he reads it, the Town Administrator, similar to the school's Business Administrator, handled much of the legwork getting a price negotiated, only to have the Selectmen disregard the work that had been done. He did not see anything in the minutes where the Selectmen voted to actually wait on doing a contract.

Bill B. asks if the Selectmen have anyone with any established expertise on researching oil futures before making the contract decision. He suggests having the BudCom recommend to the Selectmen to put a repeatable process in place that can be used from year to year. He reiterates that there is no reflection in the minutes on the nature of the deliberation process that was used regarding this decision. Peter stresses that there was much discussion on this. They talked at length on whether to act now or to wait. The Board of Selectmen have 5 businessmen with much experience. Every year they do go out to bid on the oil contract. They watch the market. There is a procedure. He points out how the deliberation process can be different from year to year depending on the individual opinions of each Selectman, which can change from year to year based on the election process.

Chris agrees there may be other ways to approach this process. Bill B. feels they need to look at what factors should be reviewed in this kind of process. Should they look at downside protection? He mentions that the school actually have a separate contract for each individual tank. Should there be downside protection for each tank? Should they lock in a price for some tanks while waiting on the others? There are many variable. He stresses that this become an investment process. Peter points out that for the schools the oil contract is much more of a factor than the town given the amount of oil being purchased. Mike comments that it has been this way for years, but it has never been a problem until this year with the sudden decrease in price after the contract had already been negotiated.

Peter mentions that the Selectmen had an interesting presentation from Venu Rao about a private organization he is involved with that is currently looking into alternative energy sources, such as geothermal or wind turbines. Their goal is to help wean Hollis off of fossil fuels within 7 years with no increased cost to the town. They are currently looking at installing wind turbines on Mt. Washington. Hollis may be able to tap into this energy source.

Mark Le Doux arrives at this time.

School Report

Bill B. mentions that he has emailed the first FTE report to the BudCom. This was modeled after the old report that was

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completed in 2005. He would like feedback from the BudCom regarding the format. The numbers shown on the report are not final yet as they are still pulling figures from the new system. He has noticed a few discrepancies. After looking over the report, he believes that this will be helpful during the budgeting process. He also sent out the monthly BudCom report. He mentions that the Business Administrator is fully staffed now and the new program is working well. So far the budget is right on track.

Chris comments that since they have not had a chance to review the FTE report, he will put this on as an agenda item for the next meeting in November. He would like to see a “key” to help explain what positions are included in each column. Bill B. agrees this will be helpful. He would like to have BudCom members send him questions about the report before the next meeting, which will allow him to gather answers for the meeting. Mike asks about the column on the far right, which is outside the report’s border. Bill B. states that this is the sum of the dollar amounts listed in that row. Tom feels this is a good report.

Bill B. states that he just received the October 1st enrollment data. Last year the pre-K to 6 enrollment was 795, this year they are at 740. The FTE (full time equivalent) enrollment for last year was 752, compared to 705 this year. The delta can be attributed to a large outgoing 6th grade class last year vs. a declining incoming 1st grade class. Mike comments that this same demographic is occurring across the country. Mark questions the student teacher ratio that is used. Bill B. explains that the ed specs are put out by the Department of Education and Hollis tracks closely with those. He gives a few examples; the DOE recommends a class of 12 for pre-K, Hollis has 10 in one class and 11 in another. DOE recommends 18 for kindergarten, Hollis has 18 and 12. Mark comments that it appears that Hollis is at or below the State’s recommended ed specs.

Peter comments that he heard that that Hollis issued only 13 new home permits last year and only 1 so far this year. Debbie explains that she has done permits for 3 new homes this year, however 2 of those were replacement homes, where an existing structure was demolished and a new home constructed, therefore there has only been 1 new single family residence created this year. Peter points out that last year’s total of 13 was the lowest in 50 years.

Bill B. points out that recent newspaper articles regarding the oil contract were not accurate. He would like to clarify a few points. Downside protection was not offered to the school. When the contract was finalized they were told downside protection was not available. The article also mentions that this downside protection was discounted down from 20 cents to 15 cents for the school and town, yet all the minutes for the Selectmen’s meetings refer only to the 20 cents. He stresses that this article was very misleading to the public by appearing that the school and town administration were not looking out for their best interests.

Bill B. announces that the school has returned approximately \$260,000 to the town from last year’s budget, as well as funding their expendable trust. The school board recently held a public hearing on expenditures from this trust. Chris points out that during this public hearing, the window replacement for the SAU offices was approved with snap-in grills. They will not be replacing the windows on the new addition from a few years ago. This was questioned at the last BudCom meeting, as it would not make sense to replace windows that were recently installed as part of the addition. Bill B. adds that they also approved \$28,100 for duct work cleaning at both schools. He is not sure when this was last done. Another \$11,000 was approved for replacement siding at the Primary School and \$8,975 for some tile work to be done at the Upper Elementary.

Mike asks if the trust funds are working well. Bill B. states that this was the first public hearing to use any funds. Mike asks if there is a list of projects they plan to fund from the trust and if anything is being set aside for emergencies. Bill B. explains that they do have a priority list of projects. The expendable trust was never intended as an emergency fund, which is why they have contingency. The trust is designed to accumulate funds for large, known expenditures.

Old Business

Chris mentions that he had planned to have Bill M. give the BudCom an update on the status of the Facilities Study Committee, however apparently the work has been completed and their final report will be presented to the Selectmen this Thursday night at 7:00 pm at the High School. He has been told that there is nothing in this report that will impact this year’s budgets. He comments that a number of people have put much time and effort into this study. Chris does not wish to steal the Facilities Study Committee’s thunder; therefore he will refrain from any further comments on this report. He urges the public to attend this meeting.

New Business

- Tax Rate – Chris mentions that this has gone down from \$23.38 to \$20.95, which in effect is up by \$1.00 given the increase in valuation. Mike comments that this is high. Chris agrees.

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- Budget Guidance – Chris points out that they have used a formula with CPI in the past, yet recently the BudCom discussed having a flat budget. There would be some items to increase, but this would allow no new spending. He asks if this is what the BudCom would like to send to the school and town as the recommended guidance. Bill M. questions the definition of “flat”. Chris interprets this to be flat spending. Mark states that the Selectmen have been using the term “level funding”, as they realize that there will be contractual spending obligations that there is no control over. Anything that can be controlled will be level. Chris does not recall that this is exactly what the BudCom agree to a couple months ago. Mike feels they need to reduce this guidance to math, to give them an actual figure.

Mark stresses that with ever changing energy costs it will be very difficult to remain flat. Mike asks if there are any contract negotiations this year. Bill B. indicates that there are no school contracts this year. Mike comments that this means that the school has preincurred obligations. Mark states that the town will begin their negotiations soon. He is hopeful to see some inflationary costs included in the contract. He heard some encouraging information last night regarding health care costs. Chris stresses that they need to set a target for the town and school to shoot for. Most people feel the tax rate is too high. He thought the former consensus of the BudCom was that they did not want to go with a mathematical formula this year. The first target was supposed to be flat. This means that the same dollar figure from last year with no increase or flat spending, yet does not include obligation items. Mark points out that the Selectmen’s budget shows a 3.7% increase, which includes all contractual obligations. If those are removed, the increase is only 0.5%. This is a good place to start.

Mike feels it will be difficult to achieve a harmonious agreement if the BudCom merely states “flat budget”. Chris stresses that Hollis has moved from the bottom of the State, up to the top 15 in the State for their tax obligations. Paul points out that the voters have approved many of these items, such as land purchasing. The voters approved items that were not supported by the Selectmen.

Bill B. suggests going into non-public session for a moment to discuss some items that may be relevant to this year’s guidance.

Bill B. moves to enter into non-public session pursuant to RSA 91-A:3,II(d) to discuss comments made in the past that may be relevant to this year’s guidance. Seconded by Mark. Voting in favor of the motion were Mark, Bill M., Bob, Tom, Frank, Chris, Mike, Bill B. No one was opposed.

The BudCom entered into Non-public session at 8:30 PM.

The BudCom came out of Non-public session at 9:00 PM.

Chris asks how they would like to set the guidance. Mike states that they have used the August CPI in the past. Chris points out that this is at 4.6%. He does not want to allow such an increase. Mark anticipates seeing the first negative CPI month for October. Chris suggests using last year’s July-July CPI, which was 1.8%. This was the amount used for last year’s formula.

Mike agrees this would be more accurate. He would like to use the same formula structure as last year, with the 1.8%. The formula takes into account the specific elements within the budget. (see chart to right) Bill M. asks if salary increases are included in this. Bill B. explains that any negotiated salary increases were included last time in this cap. Bill M. points out that the old formula does not take into consideration any growth in tax base. He realizes that this is not increasing at the same rate as before, yet they should take this into account. Mike recalls they historically used any growth in the schools, but not for the town, yet last year they did allow some concessions to the town for some growth. The school population is now declining and this fact should be included somehow.

Mike states that if they use this same formula, they will get a gross budget figure, rather than a percentage. Bill B. would like Paul to run the numbers into the formula, which could then be voted on at the next meeting. Mike would prefer to vote on using this same formula tonight, then once the numbers are run, this could be sent out to all members by the end of the week. Chris states that if the BudCom wishes to use this formula, he would rather use last year’s CPI of 1.8%. Mark indicates that he would like to

2008 Approved Budget	
- In/Out	
- Veterans Tax Credit	
- Debt Service	
Recommended Base	
Multiplier 1.8%	
Base + Multiplier =	
+ In/Out	
+ Veterans Tax Credit	
+ Debt service	
+ Overlay	
Subtotal	
Total Recommended	
Real \$ Increase	
Actual % Increase	

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see the numbers both ways; the 1.8% and the true CPI of 4.6%. Chris stresses that 4.6% will allow for an increase that he is not comfortable with. Mike points out that it would allow the services the voters previously approved to continue.

Bill B. feels they need to discuss the impact to the tax rate. Chris comments that discussing the impact to the tax rate can be difficult, as a big portion of the revenue is from the State and this can be hard to anticipate. Bill B. feel they can estimate revenues to allow for a good ball park. The school board has asked to have all 1-time expenses removed from all budgets. Anything mandatory is then added back in. Any proposed increases are to be put into a prioritized list. He suggests using the same philosophy for the town. Each department should provide a prioritized list, which the selectmen consolidate into a town wide priority.

Paul unofficially plugs town budget numbers into the formula using both the 1.8% and 4.6% CPI values, as requested by Mark. Using the 1.8%, it gives a 1.67% effective increase. The 4.6% gives a 3.78% effective increase. Mike questions how the capital equipment leases should be handled within the formula. Should this be removed from any % increase, or included as perpetual funding? Chris comments that in the past they have left capital reserve funds in the base budget. He questions if this will artificially raise spending. Mike feels this should be excluded from the base, then added back in. Paul recalculates the formula to accommodate for this change. By removing the capital equipment leases from the base and adding back in after the multiplier, the 1.8% gives a 2.62% effective increase. He points out that this is thrown off for the first year, as this is only a partial year payment.

Peter questions what dollar amount they have to work with. Debbie cautions about voting on a specific dollar amount tonight, until all members can actually see and review the formula with actual figures for both town and school.

Mark asks how the operating costs for the school compare with labor costs. Bill B. states that labor costs comprise of 75% of their entire budget. Mark is astonished at this figure and that only 25% of their budget is fixed. Chris mentions how last year the BudCom discussed special education and how this has increased from 12% to 18% of the budget. He would like to review this again. Bill B. points out that the school board is currently looking at items that may impact that portion of the budget, although it is not something he can discuss publically. He suggests waiting until the 1st budget review in December. If the numbers do not seem right to them at that time, it can be discussed further.

Bill B. stresses that many items are beyond their control and do not track with CPI. The school cannot simply reduce their budget by the same % as the enrollment decline. Mike calculates the decline in enrollment to be 2.9 less teachers. He suggests decrementing the budget by the cost of 1 teacher.

Chris feels that if the BudCom wants to be formulaic, it may not be entirely accurate. They are asking for the best of all worlds, but it is not realistic. Mark suggests that if they have declining enrollment, there should be a decreased budget. They cannot mandate that if there are 4.7% less children, the budget should also be reduced by 4.7%. This is not a 1:1 relationship. Bill B. stresses that this is why the direction they give to their administration works.

Mike wants to take a position that the schools should manage their budget and will decrement somewhat due to the reduced enrollment. Bill B. states that they will be presenting a base budget that is less than last year, then also presenting a prioritized list of needs.

Chris asks what the tax impact would be for the 2.62% increase. Paul gives a rough calculation of \$.26 or 1%, yet this is done without considering any anticipated revenues. Chris stresses that they need to hold the tax rate flat. The 1% is too high. Bill B. states that as much as he does not wish to pay any more in taxes and he feels the same pain as other taxpayers in town, he questions how anyone can run their homes with a flat budget these days. Chris stresses that this is exactly the point. Families are feeling the pinch and are cutting back. Bill B. points out that everyone's phone, electric, gas and oil are all going up.

Mark comments that the town has voted for services in the past and will need to vote for this in the future. They will need to ask themselves if they want good schools or not. Do they want the fire department to arrive quickly or wait until later? Do they want their roads plowed during the storm or when it is all done? Mike agrees they need to continue funding the level of services the town has already approved, yet it also must be done prudently.

Chris states that for the purpose of guidance, they have a formula in front of them, with a 1.8% CPI increase. They need to vote on this concept. Mike thinks the 1.8% works for the town, yet for the school he would like to remove the cost of 1 teacher. Frank asks if it is premature to be asking to remove 1 teacher. Mark agrees they need more information from the school before making that guidance to them. Mike stresses that they need to have a firm formula and guideline for the

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school. They could do exactly as was done last year. Mark states that they are being consistent with the town and should also be consistent with the school. Bill M. feels the school should be decremented by a number of teachers, as determined by the declining enrollment, not merely an arbitrary number of 1 teacher.

Paul questions what rationale they have for using the 1.8% CPI rather than the true 4.6% CPI for July-July, as has historically been done. Chris states that the unprecedented volatility in the economy, which is on a decline.

Mike moves to recommend a guidance for the town budget based on the formula used last year, as modified by including the capital leases as an in/out, and using the 1.8% CPI from 2007 instead of the 2008 CPI due to recent volatility. Seconded by Mark. The Motion passes: 5-3-0. Voting in favor of the motion were Mark, Bill M., Tom, Mike, Bill B. Voting in opposition were Bob, Frank, Chris.

Mike moves to recommend a guidance for the school based on the formula used last year, using the 1.8% CPI from 2007 instead of the 2008 CPI due to recent volatility, with a decrement based on the decreased number of teachers due to declining enrollment. Seconded by Tom.

Discussion on motion: Bob feels this should be a level budget. Let the ball roll where it may. If they need to cut services, then cut services. They need to take a stand now. He recommends NO increase. If the taxpayers want more, they can vote for more at the meeting.

The Motion fails: 4-4-0. Voting in favor of the motion were Mark, Bill M., Tom, Mike. Voting in opposition were Bob, Frank, Chris, Bill B.

Mark moves to recommend a guidance for the school based on the formula used last year, using the 1.8% CPI from 2007 instead of the 2008 CPI due to recent volatility, and if fewer teachers are required in light of declining enrollment, the budget shall be decremented accordingly. Seconded by Tom.

Discussion on motion: Bill B. points out that the school returned \$264,000 last year. They managed their budget responsibly. It looks like they had an increase, but in reality they did not. Chris states that they need a mechanism to calculate a number. This will allow the school to use the formula, apply the known parameters, then afterward reduce the budget once they have determined the number of teachers needed based on ed specs. This makes it difficult to set a target.

Bill B. stresses that they cannot budget so tightly this year. The school cannot operate in a deficit. It is hard to predict energy costs these days. The wording of this guidance makes it sound like the school has not done a good enough job managing their budget, therefore the BudCom must reduce it by 1 teacher in order to micromanage.

The Motion passes: 5-3-0. Voting in favor of the motion were Mark, Bill M., Tom, Mike, Bill B. Voting in opposition were Bob, Frank, Chris.

- SAU Budget Alternative Method – Chris mentions that earlier today he sent out via email a set of links to the State of NH RSA's. The SAU Budget Public Hearing has been scheduled for the same night as the town's 1st presentation of their budget. This public hearing is the only crack anyone has for offering input on the SAU budget. With a \$1,000,000 budget, this is important. He has requested they change their meeting date, as they were the last to schedule meetings. They had an agreement in the past that they would not conflict with the town. Bill B. points out that they do have a legal requirement to pass this budget by a specific date. The chairman may be verifying a quorum before changing the date.

Chris mentions that the RSA gives the school district the ability to vote on this budget. A majority of all districts is required to pass. If the budget fails, the previous year's budget is the default, with adjustments made for any contractual obligations. Each district meeting would need this listed as a warrant article, where it would be voted upon and counted. It would be a 2 year process to implement. The first year a warrant article is need to enable this type of budget structure to be enacted. The process would actually begin the following year. This can be done as a petition to each school district, or each district can place it on the warrant themselves. Mike feels they should ask each school board to do this. If there is no support, then it can be done by petition.

Bill B. comments that with only a \$1,000,000 budget that is then split between 3 school districts, the impact to each budget is negligible. Mike stresses that is a matter of principle that nobody is allowed to vote on this budget.

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- Schedule – Chris reviews the meeting schedule. Debbie passes out revised list of meetings, which incorporates the changes in times that was approved last month. Chris comments that with the SAU Public Hearing conflict, the BudCom meeting may need to be changed. He would really like to attend the public hearing.

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

Meeting adjourned at 10:45 pm.

Respectfully submitted,

Deborah Adams, Secretary