

**Hanover Finance Committee**  
*Minutes*  
**October 10, 2016**  
**Location:** Black Center, Room 215

Members present: Heidi Postupack, Chair; Bill Geraghty, Hanover Select Board member; Carey Callaghan, Hanover School Board member; Kari Asmus; and Nancy Marion. Absent: Daryl Press and John Ruth.  
Minutes by Asmus.

Chair Postupack called the meeting to order at 5:01 p.m.

1. *Review/amendment of agenda*—none
2. *Public comments on items not on the agenda*—none
3. *Review/approve minutes of HFC meeting on Sept 12, 2016; of HFC/School District Budget meetings on Sept 19, 2016; and minutes of HFC meeting on Sept 26, 2016*

*Geraghty moved approval of the minutes of September 12, 2016 as submitted; Postupack seconded. The motion passed unanimously.*

*Postupack moved approval of the minutes of August 8, 2016 as submitted; Geraghty seconded. Callaghan and Marion abstained. All others present voted in favor of the motion.*

A suggestion was made to add the age of the building maintenance fund to the September 26 minutes.

*Postupack moved approval of the minutes of September 26, 2016 as amended; Marion seconded. Geraghty abstained. All others present voted in favor of the motion.*

4. *Report – Further research on municipal price indices and budget benchmarks* –Nancy Marion  
Nancy presented a comparison group of 19 New Hampshire towns with top median family incomes (not including Hanover which was fourth) and offered Lebanon as an optional 20th comparison point.

Nancy also provided data on the growth in home prices, the municipal levy and the local education levy for Hanover and the comparison group for the years 2010 to 2015—the idea being to develop a sense for trends after the recession. It appears that Hanover home prices grew more rapidly than the average of the comparison group (42% vs. 35%), that the municipal levy had grown a bit more rapidly, and that the local education levy had grown noticeably more rapidly.

A bar chart compared the town budget per capita for Hanover and each of the other 19 towns. Hanover was the highest (\$2,300 per person) and Hampstead was the lowest (\$711 per person). Lebanon’s budget per capita is \$3,700. With help from town staff, Nancy is working to get additional years of data to create a trend line.

*Discussion*

There was speculation as to why Hanover’s budget per capita spending is so much higher than others in the comparison group: To what extent does having a population of 4,000 college students drive spending, particularly in the areas of fire and police? To what extent are the other towns “bedroom communities” that “empty out” during the day as opposed to Hanover where the population swells as people come to work? To what extent is Hanover a town with a long-standing “great taste” for public services compared to others?

Discussion also focused on whether the 4,000 undergraduates should be included in the population of 11,300, especially as most are in town for 9 months of the year. How does that population compare to young renters in other towns? The students may be a driver for more expenditures in the Town budget, but they have little impact on the school budget. Much of Dartmouth's property is taxable, but not all. How does their contribution weigh against the services they require?

How much of the difference in budget per capita spending can be attributed to differences in services offered between towns? How does commercial revenue play into it?

Because these questions are difficult, if not impossible to answer, the focus of this research is on trends. Given that Hanover appears to have a higher base of spending to start, the key is to look at the rate of change between Hanover and the comparison group. In other words, all towns have experienced down-shifting from the state, increases in fuel, etc., but is there something discernably different about Hanover's increases?

The committee decided to narrow the comparison group to the 10 towns with top incomes. This will give a more homogenous group and make looking into some of the specifics of other towns more feasible. A decision was also made to do "one-off" comparisons with Lebanon and Durham as there is likely to be a higher level of curiosity regarding a neighboring town and a town that hosts a university.

The committee would like to make a presentation of the research at the November 21 Select Board meeting.

5. *Review/discuss updates on **Hanover and/or Dresden School District** FY18 business and budget development* – Carey Callaghan

Carey reported that a revised Dresden Quick Model shows a 2.1% increase in "status quo" costs for FY18. The change from the previous 2.3% is due to a more precise calculation of contributions to the NH Retirement System (NHRS). Also, the Dresden Board voted to retain up to \$150,000 in undesignated funds.

Kari gave an update on the Hanover Budget Committee meetings. They have revised the format of the Quick Model to separate K-5 operating costs from other line items.

The Quick Model showed an increase of 2.8% (\$241,000) in K-5 operating "status quo" costs and a decrease of 2.4% (-\$326,000) in the budget overall. Relative to Dresden, the increase in NHRS contributions has had a bigger impact on Hanover as all certified employees are enrolled in the system. No adjustments have been made for a potential increase in enrollment and projected health insurance rates have not been received.

Favorable line items include a decrease of \$250,000 in out-of-district tuition (covering all Hanover students pre-K to age 21) and a decrease of \$393,000 in sixth grade tuition payments to Dresden (which, because of the division of costs between Hanover and Norwich, has a tax-impact equivalent of a \$131,000 decrease in any other part of the budget).

The budget committee discussed curricular needs that could potentially be addressed through the budget.

*Discussion*

In the past, the Finance Committee has accepted budget increases when special education costs spiked as it would be unfair to expect the K-5 educational program to absorb cuts of that magnitude. This is an extremely volatile part of the budget and could easily spike again. The Finance Committee agreed that, considering the decrease in tuition expenses, it could be prudent to make deposits into reserve funds or one-time capital expenditures but not to fund new, on-going program changes.

6. *Review/discuss **Town of Hanover** business* – Bill Geraghty

Bill reported on the recent Select Board meeting where staff presented an initial look at the FY18 budget. Two big challenges are the employer NHRS contribution increases and a "not to exceed" health insurance

rate increase of 19.7%. Staff had not had a chance to explore what caused the increase, but one possibility is that it is related to the Town being self-insured.

The Town will negotiate with all three labor units this fall and will look at benefits as part of the process. The Town has adopted Total Compensation guidelines as a means of keeping personnel costs limited to approximately 70% of the overall budget. If nothing were to change, the costs presented would result in a 5.12% increase in the tax rate. Each additional \$90,000 on the budget represents a 1% increase in the tax rate.

Bill also noted that talks regarding a town gym and additional affordable housing are continuing.

#### *Discussion*

When looking at tax rates, it is important to look at the dollar as well as the percent increase—especially if comparing increases in the Town and school rates. The potential increases in NHRS and health costs alone would add 22 cent per \$1,000 to the Town tax rate, resulting in a 3.5% increase. If 22 cents were added to the school tax rate, that would be a 1.7% increase.

One of the “jobs” of the Finance Committee has been to look at the overall picture as the Town and schools are developing their budgets. To the extent that things look favorable for the schools but challenging for the Town, this is an observation to share with school decision makers as budget conversations progress.

#### *7. Set/confirm agenda and time for HFC meetings*

Future meetings: November 14 at 5:00 p.m. and December 12 at 5:00 p.m. **Heidi will share the times and dates of the upcoming administrative SAU budget meetings where one Finance Committee member is allowed to be in attendance.**

#### *8. Adjournment*

*Gerghy moved to adjourn; Asmus seconded. Motion passed unanimously. Meeting adjourned at 6:27 p.m.*