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**TOWN OF NORTH HAMPTON, NEW HAMPSHIRE
MUNICIPAL BUDGET COMMITTEE MEETING**

SEPTEMBER 21, 2020 6:00 PM

NORTH HAMPTON TOWN HALL

DRAFT MINUTES

BUDGET COMMITTEE MEMBERS PRESENT: Chairman Jonathan Pinette, Vice-Chairman/ Little Boar’s Head Rep Brian Goode, George Chauncey, Tamara Le, Margaret Delano, Rick Stanton, Frank Ferraro, Select Board Rep Larry Miller, School Board Rep Tom von Jess

ALSO PRESENT: Interim Town Administrator Michael Tully, School Business Administrator Matt Ferreira
VIA ZOOM: Shep Kroner

AGENDA

Chairman Jonathan Pinette welcomed everyone to the December 21, 2020 North Hampton Municipal Budget Committee Meeting and called the meeting to order at 6:03 pm, followed by the Pledge of Allegiance.

OLD BUSINESS – None

NEW BUSINESS

Minutes of the Budget Committee Meeting of August 17, 2020

Motion: To approve the Joint Budget Committee/Select Board Meeting Minutes of August 17, 2020 as presented.

Motioned: Mr. Ferraro

Seconded: Mr. Stanton

Vote: Motion approved by a vote of 8-0, with 1 abstention

Economic Review: Economic Impact of COVID-19 – Shep Kroner

35 Mr. Shep Kroner said he is Insights Director for UNFI, the second largest food wholesaler and retailer in
36 the US, and has access to a number of data points, especially in the last 6 months tracking COVID-19. He
37 said COVID-19 has had a disruptive impact domestically, regionally and globally, and said the most
38 recent information has deaths in the USA at around 200,000; 1 in 6 Americans who had jobs before
39 COVID now do not; approximately 25 million jobs have been lost and approximately 40% of consumers
40 have cut spending and are focused on value and essentials.

41
42 Mr. Kroner showed the implications domestically when COVID hit, with a peak in grocery shopping
43 (panic buying) which then adjusted to a new normal; other lines with total related spending declined
44 dramatically and have improved but still lagging about 10% below "normal". Transportation has been
45 slowest to respond with reductions in air travel having a cascading effect; health has improved with slow
46 improvement in food; restaurants are concerned about winter months because of business restrictions.

47
48 Mr. Kroner said consumer response shows consumers hesitant to resume activities outside the home;
49 73% of consumers are still waiting and not engaging in typical out-of-home activities; long-term trend
50 adoption will vary by segment; 57% are waiting for some other guidelines. He said most Americans still
51 feel an economic recovery will take more than 6 months and optimism of a quick recovery has declined.
52 The GDP was strong and expanding at a decent rate prior to the pandemic; chart shows year-over-year
53 percent change in population. He said the US population was 329 million but very slow growing at under
54 1%, which is the reason GDP has generally been stagnant.

55
56 Mr. Kroner said a general estimate for the cost of raising a child, not including college, is \$233,610 (2015
57 dollars) and gave a breakdown of how people spend money: housing 29%, food 18%, childcare and
58 education 16%, transportation 15%, health care 9%, clothing 6%, and 7% miscellaneous. He said median
59 household income for the past 3 years surpassed the level seen in 1999, with 2018 setting a record, but
60 the implications from the 2008 recession show the time it took to pull out of it.

61
62 Mr. Kroner next reviewed the impact of e-commerce with a surge in growth during the last 6 months
63 due to COVID in all age groups. He said North Hampton has a commercial district with a mixture of uses
64 and traditionally a lot of retail activity, which allows the Town to offset some of its residential tax base,
65 and asked what the e-commerce impact will be on this district. He said segments growing include Dollar
66 Stores, convenience stores, discount department stores, liquor and drug stores, and auto stores, with
67 apparel and consumer electronics at the bottom.

68
69 Mr. Kroner said up to 25,000 stores could close in 2020, and so far US retailers have announced 3,293
70 openings and 6,630 closings, and we are on track to close 25,5000 as the pandemic upends shopping
71 habits. So far this year, 5,000 permanent closures announced by major US chains, more buying shifting
72 online, consumers spending less as they shelter at home, get furloughed, or lose their job. He said we
73 are seeing increased interest in e-commerce and key categories are expected to grow faster online, like
74 OTC drugs with pharmacies and drugstores struggling in this environment, and groceries with online
75 orders and store pickup allowing them to keep their brick-and-mortar locations. He said approximately
76 35% growth is expected in OTC meds, groceries, household supplies, and personal care products with
77 15% skin care/makeup, apparel and jewelry.

78
79 Mr. Kroner said North Hampton has experienced higher than average retail vacancy rates which are
80 likely to continue; existing restaurants may or may not survive the winter. He said domestic trends may
81 not be specific to a region like our own with high demand and interest which may soften the impact. He
82 said people driving less and servicing vehicles less could lead to a decline in demand for new cars, and

83 said the greatest demand will continue to be for residential uses which they have seen in Seacoast real
84 estate.

85
86 He said implications for North Hampton are declining revenues in vehicle excise tax and fees for new
87 cars; they may see less value for real estate (commercial property) with greater growth in residential
88 than commercial; restaurants have implications on Rooms & Meals taxes, shifting some burden to
89 residential with increased taxes; reduction in Town services with people less enthused with spending.
90 He said New Hampshire has been well-managed through the pandemic, though 57,000 New Hampshire
91 residents remain unemployed; the Federal Reserve reported that New Hampshire had recovered to 83%
92 of its pre-COVID output.

93
94 Questions: Vice-Chair Goode asked the percentage of commercial taxes collected versus residential. Mr.
95 Kroner said commercial is approximately 16% and Chairman Pinette said he would follow-up with
96 Finance Director Ryan Cornwell. Mr. Stanton said he felt a disconnect with consumer electronics as
97 leading the pack of stores closing yet on key categories expected to grow faster. Mr. Kroner said that is
98 the growth of customers purchasing the category online; he said Best Buy has survived with a strong e-
99 commerce base.

100
101 Mr. Ferraro agreed that New Hampshire has fared much better on unemployment through the
102 economic downturn, and said in July the State unemployment rate was 8.0 and end of August 6.5. He
103 said for North Hampton July unemployment was 6.9% and end of August 5.5%, which is much better
104 than national numbers.

105
106 **North Hampton School District 2019-2020 Year End Summary** – School Business Administrator Matt
107 Ferreira

108
109 School Business Administrator Matt Ferreira said when closing out the School year an important number
110 for to be aware of is Unreserved Fund Balance, which is the amount we return to the Town to offset for
111 the fiscal year ending June 30, 2020. He said the balance of \$312,763 was already reported to the
112 Department of Revenue used as a calculation to reduce assessments for the Town of North Hampton,
113 and said Winnacunnet High School also factors into this assessment; just over \$1.2 Mil was returned
114 back to the District, with approximately \$187,000 to the Town of North Hampton.

115
116 School Business Administrator Ferreira said these are larger than typical year returns of surplus largely
117 due to COVID-19 and transitioning to a remote environment in March. He said they saw significant
118 savings in transportation, fuel, electricity, and certain supplies with students not in the building. He
119 explained that Unreserved Fund Balance is unexpended funds and any excess revenue. He said they also
120 saw savings from Health Insurance due to staff turnover and in their transportation and retirement
121 accounts. He said their Repair/Maintenance account was over budget as well as Substitute accounts.

122
123 School Business Administrator Ferreira said for Revenue they saw a surplus of just over \$87,000
124 including a Medicaid reimbursement of about \$35,000, and Special Education Aid \$24,000 more than
125 anticipated, as well as some Kindergarten aid and other miscellaneous accounts. He said they received
126 an unemployment refund and a Workers Comp insurance refund directly due to COVID-19; they are
127 anticipating a refund from Health Insurance this fiscal year of an amount in the \$300,000 range (due to
128 lack of claims) across the entire SAU. He said the Unexpended Fund Balance is after we funded our
129 Expendable Trust last year with \$50,000 for the Special Education Expendable Trust.

130

131 School Business Administrator Ferreira said Expendable Trust Funds balances are: Special Education
132 \$362,991; Building/Maintenance \$169,635; Health Care \$198,572; Technology \$15,607. The Energy
133 Trust Fund set up to fund the Natural Gas conversion was dissolved, as well as the Building Expansion
134 Capital Reserve Fund. He said in addition, we have Warrant Articles to raise and appropriate: Teachers
135 SEA CBA Agreement \$146,926, Annual Long-Term Maintenance \$65,000, Roof Repairs \$30,570, \$16,500
136 Truck Lease, and carried over \$8,418 of approved FY2019/2020 General Fund Encumbrances to
137 FY2020/2021.

138
139 School Business Administrator Ferreira said the School Nutrition Program included a transfer of \$50,576
140 to cover a School Nutrition Program deficit which was substantially higher than a typical year, with loss
141 of revenue from the School Lunch Program and from the State, and said they are continuing to monitor
142 that again this year. He said when they closed the books, they brought in auditing firm Plodzik &
143 Sanderson and completed the audit finding one control recommendation that their policies are
144 outdated and need review; an SAU-wide Policy Committee was set up in 2019 and the process is
145 ongoing.

146
147 Questions: Chairman Pinette asked if the \$50,576 for lunches distributed after the School closed was
148 just Winnacunnet for all of SAU-21. School Business Administrator Ferreira said they provided for meals
149 to all of SAU-21 and were reimbursed primarily for Winnacunnet and Seabrook. Vice-Chair Goode asked
150 how much was contributed prior years, and School Business Administrator Ferreira said \$15,000-
151 \$30,000 with some due to equipment purchases.

152
153 Mr. Ferraro asked if the \$187,000 returned from the High School was over and above the \$312,000 and
154 School Business Administrator Ferreira said it was. Mr. Ferraro asked if the paving project was included
155 in last year's budget. School Business Administrator Ferreira said the paving project went to Ballot in
156 2020 and will be in this fiscal year and is part of the Long-Term Maintenance Warrant. Mr. Ferraro asked
157 whether the SAU had undertaken a new study on projecting student populations. School Business
158 Administrator Ferreira said the contract was included in our SAU Budget but they do not plan on doing it
159 now as data is useless at this point.

160
161 School Business Administrator Ferreira said they will make sure they are diligent on the entire process
162 including enrollment, technology, staffing, hard equipment, and cleaning supplies. Mr. Ferraro asked if
163 laptops and Chromebooks were given to all students, and School Business Administrator Ferreira said
164 grades 6-8 are one-to-one device to student ratio, grades 4 and 5 also, and younger students have
165 devices they can use in school. He said they will consider how they manage wear and tear on the devices
166 as well as security.

167
168 Ms. Le thanked Matt Ferreira for being instrumental in helping to raise money to fund the school
169 lunches for home delivery early in the pandemic, and asked if there will be any projected revenues for
170 the school lunch program or a FEMA waiver. School Business Administrator Ferreira said they applied for
171 and got approved to continue their Seamless Summer Program, as well as meal pattern and pickup
172 waivers for students, and get fully reimbursed from the Federal Government through December 31,
173 2020, and are trying to increase participation. He said the SAU community really came together for the
174 summer lunch program and they raised nearly \$20,000.

175
176 School Business Administrator Ferreira said under Revenues the FEMA reimbursement of \$6,800
177 received preliminary approval but will actually be going away as FEMA notified Schools they are no
178 longer eligible for that COVID-19 reimbursement.

179

180 Chairman Pinette said October 26, 2020 is the goal date for School and Town Books to be distributed.
181 School Business Administrator Ferreira said he would provide hard copies to everyone since all sessions
182 are in public, and said to let Jonathan know if you just want the electronic version. Mr. Ferraro asked if
183 they will still get an Excel spreadsheet of the Budget and School Business Administrator Ferreira said yes.

184

185 Chairman Pinette said the distribution of Books will be at the Fire Station again this year, and the next
186 Budget committee Meeting is October 5, 2020 for the Town Year End Review. Mr. Ferraro asked the
187 date for the School Public Hearing and Chairman Pinette said they do not yet have the State parameters.

188

189 **ANY OTHER ITEM THAT MAY LEGALLY COME BEFORE THE COMMITTEE**

190

191 **PERIOD OF PUBLIC COMMENT**

192

193 **NEXT MEETING:** October 5, 2020 at 6:00 pm

194

195 **ADJOURNMENT**

196 Mr. Ferraro made a motion to adjourn the Budget Committee Meeting which was seconded by Vice-
197 Chair Goode. The motion to adjourn was approved by a vote of 9-0 and the meeting was adjourned at
198 7:56 pm.

199 Respectfully submitted,

200 Patricia Denmark, Recording Secretary