

TOWN OF NEWMARKET, NEW HAMPSHIRE

BUDGET COMMITTEE

November 28, 2016 7:00 PM

TOWN HALL AUDITORIUM

Approved December 5, 2016

MEMBERS PRESENT: Chairman David Foltz, Vice Chairman Daniel V. Smith, William “Blue” Foster, Michael “Mickey” Burns, Jeff Raab, Meg Louney-Moore, Dan Hill, Ashley Bowley, Craig Dionne, School Board Rep Mike Kenison, Town Council Rep Toni Weinstein

ALSO PRESENT: Town Administrator Steve Fournier, Water & Wastewater Superintendent Sean Greig, Recreation Assistant Director Aimee Gigandet

AGENDA

Chairman Dave Foltz welcomed everyone to the Budget Committee Meeting of November 27, 2016 and called the meeting to order at 7:00 pm, followed by the Pledge of Allegiance.

OLD BUSINESS

Approval of the Minutes of October 24, 2016

Mr. Hill made a motion to approve the minutes of October 24, 2016, which was seconded by Mr. Burns.

Corrections/Changes: An error in a property name on page 3 was corrected to “McGrath”; a questionable statement on page 2 under Town Timeline was deleted; under School Timeline the date to deliver the School Budget to the Budget Committee was corrected to November 28, 2016, and the dates for holding the School Hearing were corrected from December 7th and 13th to January 7th and 13th.

Chairman Foltz polled the Committee and the minutes of the meeting of October 24, 2016 were approved as amended by a vote of 9-0, with 2 abstentions.

NEW BUSINESS

TOWN PROPOSED FY2018 BUDGET – Work Session

Town Administrator Steve Fournier presented the **Town Proposed FY2018 Operating Budget** for the period ending June 30, 2018. He stated that he would first go over some Economic Indicators and began with the Consumer Price Index (CPI) for this year. He said they tended to look at Boston Metro which had a 1.5% increase over last year, with only a 0.7% increase the previous year. He said the CPI for the country as a whole increased 0.8%, and that reductions last year were due to the drop in oil prices. He next went over Unemployment, and said that Newmarket had dropped a negligible amount from 2.9% to 2.4%. He

stated that Unemployment nationwide had dropped from 5.6% to 5.1%, the State had dropped from 3.6% to 2.9%, the County 3.8% to 3%, and Portsmouth Metro from 3.2% to 2.5%.

Town Administrator Fournier next addressed the Current Tax Rate which was set in October at \$25.45/1,000, with the Town at \$6.24, the Local School at \$15.72, the State School at \$2.40, and the County at \$1.09. He said that the 5-year Tax Rate Comparison showed that the Town had remained pretty steady, ranging from \$6.07 to \$6.24. He next addressed the Assessed Town Value which was currently at \$731,700,728 or an increase of about \$10 million. He explained that this was the total amount they could actually raise for every dollar raised out of taxation. He said property values in the community were going up, and the big drop between 2013 and 2014 was due to revaluation of the Town and a correction from the real estate bubble.

Town Administrator Fournier stated that the Town Council recommended a Bottom-Line Budget of \$11,516,798 or an increase of 19.27% over the previous year. He said the large increase was due to seeing the first payments on the Water and Wastewater Bonds, which would not impact tax rates but would impact rate payers. He explained that the budget was made up of the General Fund, the Special Revenues Fund (Solid Waste, Library, Recreation Revolving), and the Enterprise Funds (Water & Sewer). He said the Council only had authority on the overall Library Budget, Solid Waste had a revenue source, and Recreation Revolving was self-sufficient. He said that this year the General Fund expenditure was \$7,136,072, Special Revenues \$1,060,520, and the Enterprise Fund \$3,320,206, which showed the \$1.2 million increase for Bond Payments. He also provided a comparison of the funds over a 3-year period.

Town Administrator Fournier gave a breakdown of where the increase was going: \$516,140 for Wastewater Bond Principle, \$309,143 for Wastewater Bond Interest, \$31,000 for Wastewater Treatment Facility Electricity, \$100,000 for the National Pollution Discharge Elimination Permit, \$100,104 for Water System Bond Principle and \$76,130 for Water System Bond Interest payments. He stated that all of these were funded through rates and not taxes. He said the increase also included \$74,351 for Health Insurance (10% increase), \$14,582 for an increase in Retirement Contributions, \$11,000 for an increase in part-time Fire Fighters salaries, \$15,000 for Contribution to Compensated Absences Reserve, \$54,000 for a new Financial Software System, and \$64,731 for the new Director of Facilities position. He said the Facilities Director position would be offset 60% by revenue from the School as a shared position.

Town Administrator Fournier next presented the Revenue Budget, and stated that they were anticipating an increase in revenues to \$7,072,204 from \$5,615,346 last year. He said the increase in Special Funds was due to the Bond Payments and an increase in Recreation Department programming with expanded revenues to offset those increases. He said they were anticipating approximately \$3,241,844 for the General Fund, mostly coming from Motor Vehicle Registrations and some increases in Building Permits. He stated that by law the Town Council must set a Default Budget which was \$12,103,370, or \$666,572 higher than the Proposed Budget of \$11,516,798. He explained that the Default Budget was determined by taking the prior-year approved operating budget, subtracting any one-time expenditures, and adding contractual obligations.

Town Administrator Fournier stressed that the Tax Impact was only an estimate using data as they have today. He said that if the Budget was passed as presented, taking Gross Appropriations of \$11,516,798, subtracting revenues of \$7,072,204, adding \$20,000 for Overlay, and adding War Service Credits of \$162,500, the Net Town Appropriation would be \$4,627,094. He said that dividing that figure by the Assessed Value of \$731,700,728 and multiplying by 1,000 would give a tax rate of \$6.32/1,000, or an 8-cent increase over the current tax rate. He stated that the current Average Home Value was \$280,000, up

from \$250,000 last year. He said the current Town Portion of the tax bill was \$1,747 annually and they were proposing \$1,770 annually, or a 1.28% increase over last year of \$23 annually.

Mr. Raab asked if there was any average available of water and sewer rate-payer costs. Water & Wastewater Superintendent Sean Greig stated that with an average use for water of approximately 57 units, the Sewer Rate would be \$9.74 x 57 and the Water Rate would be \$4.25 x 57. He said it was clearly the lowest rate in the area for water, but that the sewer rates fell more in the middle.

Overall Budget

Mr. Kenison felt the budget was pretty self-explanatory. Mr. Smith asked if the Public Works Department only had a fulltime director and a fulltime administrator providing oversight for all the projects. Town Administrator Fournier said that was correct, but that there were also foremen in the field. Chairman Foltz asked if they felt they were putting enough money into roads. Town Administrator Fournier explained that they also had money for roads in the Operating Budget from the \$5 Motor Vehicle Surcharge, and they were looking at a figure closer to \$350,000. He said the key was that they were starting to address them and a significant amount would be done at the end of the 6-year plan, but cautioned that if oil prices increased they would need to find additional funds in the budget.

Chairman Foltz said they had done a great job of staying as minimal as possible with the Town, but he wondered how long this could continue as they had pulled money from the Macallen Dam and Storm Water. Town Administrator Fournier said he did not expect full regulations for Storm Water to be available until late next year. He said that MRI had recently completed an efficiency study for all departments and had expressed concerned that the Town was running too lean. Mr. Smith brought up the Downtown Project and said it had taken a very long time to complete and the State had started paving Packers Falls Road while they were using that as a detour around the project. Town Administrator Fournier said he would address the issue, and explained that the problems with Downtown had nothing to do with staffing but was due to a month-long delay with regulations from the State and problems with the contractor. He said he could not discuss the contractor issue at this time as legal counsel was now involved and liquidated damages had been building up since October 2nd when substantial completion was supposed to be done.

Mr. Smith questioned whether they were asking too much to have one person running the Fire Department and the Public Works Department. Town Administrator Fournier said they were lucky to have someone who could do both. Chairman Foltz again asked if there was a price to be paid for keeping the Town Budget level for so long. Town Administrator Fournier stated that they had been putting off maintenance of their facilities and at some point they would have to start addressing their own needs. He said his guide was the amount of money being put into Fund Balance, and said that it had dropped from almost \$1 million when he started to now under \$200,000. He said they had cut the budget but revenues were going up, and what was going into the surplus was additional revenues and not unexpended funds.

Mr. Foster asked if the amount approved under Road Improvement included engineering, and Town Administrator Fournier said that it did. Mr. Foster said that they were also budgeting \$25,000 for Engineering under Roads & Sidewalks, and asked if there were 2 different kinds of engineering. Town Administrator Fournier explained that the \$25,000 was for General Engineering, and that the Council had approved hiring an on-call Town Engineer. Mr. Raab asked if adding money to Roads would speed up the plan. Town Administrator Fournier felt it would speed it up but they would need to do a substantial amount. He explained that paving, which was hired out consisted of both overlay (re-surfacing) and reconstruction, and they had a lot of reconstruction projects coming up.

Mr. Foster said they were not putting funds into the Library Capital Reserve Fund, but that \$20,000 was listed under Library CIP for roofing repairs. Town Administrator Fournier stated that the Town Council had just approved a withdrawal from the Library Capital Reserve Fund to repair the roof. Mr. Smith asked if Charges for Services was for Ambulance and Fire, and Town Administrator Fournier said it covered almost everything but Motor Vehicle Registrations, fees from the State, or taxes. Mr. Burns asked if Motor Vehicle Registrations were going up due to more cars on the road in Newmarket or more new car purchases. Town Administrator Fournier felt it was about equal and said people were not buying a few years ago as they could not get car loans.

Recreation Department

Town Administrator Fournier stated that overall Recreation was seeing an increase of 1.5% in the General Fund mostly due to administrative salaries, and 14.66% in Recreation Revolving for programming which was offset by revenues. Chairman Foltz said that overall it had been exciting to see how the programming was working and asked if they had encountered any unanticipated challenges. Recreation Assistant Director Aimee Gigandet said they had not had any real challenges, but it had been great to have the freedom to plan 18 months out with the revolving fund. She said they were bringing in revenue and allocating it to make sure it was going to the right places and being utilized. Councilor Weinstein commented that the Recreation Department programming covered a whole spectrum of people, and said the success of the programming was a testament to all the work that was being done in the Town.

Mr. Foster said that the budgeted items from CIP for Recreation totaled \$35,999 but they were only putting in \$18,666, and asked if they were looking to do the projects in the next budget year. Recreation Assistant Director Gigandet said that some of the projects were going out 6 years, the Splash Pad would be done in 2 years, and the Van had been pushed back 3 more years. She said the Van would be subsidized by CIP, Recreation Revolving, and some grants that were being written. Mr. Foster asked if the information was available to the public, and Recreation Assistant Director Gigandet said that a brochure would be coming out for 2016/17. Town Administrator Fournier said that with regard to the Van, the Recreation Department had worked with the Finance Department and determined it was more cost-effective to lease it during the season.

Water & Sewer

Mr. Smith asked why every other department for gas got cut except LP Gas under the Water Department. Water & Wastewater Superintendent Greig said the reason was because they had new facilities, a new blending facility and a new well, which required more fuel. He said the Sewer Rate at \$9.74 x 57 units came to \$555/year for the average user, and that the average Water user consumed approximately 43,000 gallons/year. He said they just introduced new rates about a month ago. Mr. Smith asked about the drought and whether they might need another well, and Town Administrator Fournier said they were actively looking. Water & Wastewater Superintendent Greig said it was determined in 2010 that the MacIntosh Well would meet their current needs but they would need more water sources for the Town. He said they needed more rain both to get the water levels back up and to replenish the wells.

Mr. Smith asked how much new development would impact the overall demand on the Water System. Water & Wastewater Superintendent Greig said it would not be that much. He felt the biggest difference was from new energy-efficient appliances. He said water consumption was actually going down, and that they used to pump approximately 164 million gallons/year out of the Bennett/Sewell Wells, which over

the last few years had averaged 140 million gallons/year. He said the biggest driving point for the department was regulations.

General Budget

Mr. Smith asked if the figure for the Facilities position was the whole salary and benefits. Town Administrator Fournier said it was just the salary of the individual in the position and that adding benefits would bring it closer to \$120,000. He said for the Finance Director they were contracting services from the School, and said Facilities would be similar with the School contracting services from the Town. Mr. Foster asked where the line-item would be in the Budget, and Town Administrator Fournier said the salary was listed under Buildings & Grounds with something factored into Health and Benefits. He said they had to actually budget 100% and take the revenue off on the other side, and that if the Budget passed they would see a reduction in the Finance Department as well.

Mr. Raab asked about the new financial software, and Town Administrator Fournier explained that their financial software was old and no longer being supported. He said they were looking to lease the software for an annual fee. He said they needed a system with more capability, and wanted to make sure any system they purchased would be compatible with the School. Mr. Raab mentioned that some of the modules had been scaled back. Town Administrator Fournier said that they would add modules as they got to know the system, but that he first wanted to make sure the system worked. Mr. Raab asked how much the cost might go up when they had everything they needed, and Town Administrator Fournier estimated approximately \$25,000.

Mr. Smith asked what assumptions went into the reductions made to Oil throughout the budget. Town Administrator Fournier stated that the actual bids per gallon were coming in lower than anticipated, and said he had received the actuals between the time he set the Budget and it was presented to the Town Council. Mr. Foster asked about Bridges and replacing guardrails. Town Administrator Fournier said that the guardrails were not just on bridges but he had put it in that line-item. Mr. Smith asked why there was an increase for Charges for Services but no increase in expenses for Ambulance or Fire & Rescue. Town Administrator Fournier said it was due to an increase in the number of Ambulance calls which was not reflected in an increase in expenditures. Mr. Smith asked about Ambulance Expenses under Fire & Rescue and Town Administrator Fournier said they paid for a billing company and did not do it in-house.

Mr. Burns asked about the Town Clock under Buildings & Grounds and why it was back up this year after being cut last year. Town Administrator Fournier said the Church had requested funds to repair the steeple which they could not do, and they made an agreement to pay rent to house their clock mechanism. Mr. Foster asked about why Linked-Together had not requested funding this year under Social Services Grants, and Town Administrator Fournier said they were financially set for the year. Mr. Foster asked if Lamprey Health Center was the petition warrant article from last year that had been put back in, and Town Administrator Fournier said it was. Mr. Foster asked about the \$10,000 proposed for Cemeteries which the Council had cut to \$5,000. Town Administrator Fournier said it was for general maintenance to replace a cemetery gate.

Chairman Foltz said the Town Administrator and the Council had done a great job with the budget but he was concerned that it would change at some point, and that they just kept putting away for the future. Town Administrator Fournier said an efficiency review of all departments had been done by MRI and their report would address that issue and be a roadmap for what they need to address as a Town Organization

in the future. He said they had been addressing a lot of Capital needs for the last few years, and said with Roads they had also factored in a 5% increase every year for anticipated increases in asphalt and labor.

Councilor Weinstein said efficiencies had been an issue for a long time and felt that a huge step had been taken this year in looking at a one-town concept. Mr. Foster asked if they still offered Elderly and Veterans Tax Exemptions and asked how the Town compared with other communities. Town Administrator Fournier said they were still offered and he felt they were average in comparison to towns of similar size. He said the exemption applied for the total of Town and School Tax with the rules set by the State.

OTHER BUSINESS

School Budget

Chairman Foltz stated that there were copies of the School Budget on the tables. He said that it was sorted in several ways: by function, by Elementary/Junior High/High School, and by the biggest expenses and the biggest savings. He said the Committee members would have a week to look through the budget, with the first School Work Session scheduled for Monday, December 5, 2016. He asked that any questions or anything they would like to see in the budget be emailed to either him or Mr. Smith.

Schedule

Chairman Foltz stated that they would go through the School Budget on December 5th, hold the Town Hearing on December 12th, and have the second School Work Session on December 19th to go through the bond and warrant articles. He said the School was asking to meet on Thursday, January 12th rather than Monday, January 9th to allow time for holding a few Public Forums before the Bond Hearing. He said they wanted to do the Budget and the Bond Hearing all at once. He said his understanding was that there would be a warrant article for the Operating Budget, a possible contingency, and a warrant article for the bond, with 3 or 4 maximum. He said that the School Budget was 80% salaries and benefits, and said they would also see a large increase in Special Education. Mr. Kenison said that the drivers of the School Budget were summarized on the first few pages. Mr. Foster asked if the percentages for each school were listed as last year for different salaries. Chairman Foltz said he had asked that the budget be simpler as he felt they were getting too many details and not enough clarity. Mr. Raab pointed out that the middle number of the accounts listed was the building. Chairman Foltz said that 0=SAU, 1=Elementary, 2=Junior High, and 3=High School.

Next Meeting: The Budget Committee will hold the School Proposed FY2018 Budget Workshop, work session 1 of 2, on December 5, 2016.

Adjournment

Mr. Hill made a motion to adjourn the meeting which was seconded by Mr. Dionne. The Committee approved the motion unanimously, and the meeting was adjourned at 8:26 pm.

Respectfully submitted,

Patricia Denmark, Recording Secretary