

Budget Committee Minutes August 27, 2012

NEWMARKET BUDGET COMMITTEE
AUGUST 27, 2012 6:30 P.M.
COUNCIL CHAMBERS

MEMBERS PRESENT:

:

Chairman Brian Hart, Vice Chairman Ellen Snyder, Rose-Anne Kwaks, Amy Thompson, Jack Fitzgibbon (arriving at 6:55), Dana Glennon, Russ Simon, Judy Ryan, School Board Representative Linda Mantegani, Town Council Representative Gary Levy, Drew Kiefaber

Chairman Hart called the meeting to order at 6:30 p.m., followed by the Pledge of Allegiance.

1. DISCUSSION OF NAMEPLATES (PAPER VERSUS NAME PLATES)

Mr. Simon moved to use the paper name plates provided. Ms. Thompson seconded. It was felt that the Committee was setting a good example by saving money. Motion carried unanimously by a voice vote.

2. FY12 FINAL NUMBERS, TOWN (MATT ANGELL)

Page 1 of the balance sheet shows \$1,349,004.68 in unreserved funds in the General Fund, including money from the Black Bear TIF and some funds that had been carried over from a prior year. Page 2 under the General Fund column lists \$1,138,328.50 in excess of revenues. This includes \$140K in excess revenues, \$504K in expenditures turned back and \$487K from closing the Black Bear TIF. Mr. Angell said that funds from the Downtown TIF were used to close out the Main Street project and did not benefit the General Fund. Town Meeting vote had reserved funds to pay off the Downtown TIF bond, and Town Council had closed the TIF by an ordinance change in the finance plan. For financial purposes the Downtown TIF does not exist. The full value of these TIF properties will be available for the September assessment.

Mr. Angell pointed out the \$1,360,000 listed under the General Fund as unspendable. This is the total amount for the DPW garage, which will be paid over 10 years in equal installments. He had suggested that a portion of the unreserved be used to fund this expense this year, which would reduce the tax rate. There actually is no cash to back up the \$1.360,000. Mr. Angell said the source of the \$452K for the Water Fund and the \$177K for the Sewer Fund had first appeared to be the General Fund, but the actual source was Capital Reserve Funds. The monies had been transferred and now rested in each Capital Reserve Fund. There is currently about \$1.1 million in the Water Fund and \$168K in the Wastewater Fund.

Mr. Angell explained that the General Ledger only includes the town, and the Trustees of Trust Funds and Library Trustees are not included. He said that when his resolution was presented to Town Council in March, he had thought there was \$960K in the Water Fund. He was trying to base the resolution on the intentions of the 2007-2008 Council. The Resolution did not pass.

Mr. Angell referred the Committee to the last page of his report which dealt with the 2008/09-07 Resolution to reserve 16% of operating expenses. He said all the figures should have included town, school and county, and the figure of \$1.6

million should be higher. However, he felt this would work. The school is required to use any surplus to reduce the tax rate, and those funds sit with the town's figures as a credit until they are used for that purpose. He felt the estimate of \$363K available to reduce the tax rate would be lower. He discussed the negative impact and the spiking effect on future budgets if the total amount was used to reduce the tax rate in one year. The 16% reserve is not binding, but a recommendation. Councilor Levy asked Mr. Angell for a total picture of what the town had spent, including CIP funds. Mr. Angell will prepare those figures. The town has collected about \$7 million toward the 2013 budget, which he felt would carry them through almost until December. Revenues will add to the figure.

The Committee discussed assessments and the impact on the budget when properties were revalued. Mr. Angell said he would be asking Town Council to revise the MS4 and increase the estimate for overlay to cover challenges on property valuation. He had originally estimated \$58K, but the actual figure came in at \$163K in abatements. By statute, a town-wide analytical reevaluation has to be done every 5 years, even though the town does a cyclical evaluation of 20% of the property every year. This has to be done by August of 2014, and will cost between \$50K and \$150K. Mr. Angell said that no money had been set aside for this, and he thought a CIP should be established with a portion of the cost being added every year. Mr. Angell concluded that there were still some things to track down, such as a \$40K deficit in the Wadleigh Falls project for which he intended to ask Town Council to establish a CIP. Overall, he felt the town was starting to look forward.

3. FY12 FINAL NUMBERS, SCHOOL (CHRISTINE BLOUIN & DR. HAYES)

Ms. Blouin handed out the school's unaudited financial snapshot, showing a net surplus of \$349,551.39. This included a \$281K savings in amounts spent from 2 warrant articles for roof repair and installation of a fire alarm and sprinkler system along with \$67K in unanticipated revenue. Chairman Hart said that as the school is not allowed to keep any surplus funds, this amount will reduce the school part of the tax rate for the second half of the year. There was a discussion on the food service budget, which finished \$13K to the good. This part of the budget operates separately as an enterprise fund and its surplus can be retained. However, if food service did not collect any revenue, funds would come from the tax rate. Food service is funded through internal transfers from the General Fund. Ms. Blouin said state mandates and the overall rise in food prices affects food service.

Chairman Hart asked if anyone had any questions about FY2011-2012 expenditures and revenues. He said that it had been suggested they see changes, transfers, overage and unders for each budget line. He asked where transfers within the same function showed in the paperwork, and if they could see that as a summary for the next year. Ms. Blouin said that BSML does not show that, but she will try to run a report showing the difference between the actual versus the adopted budget. She said they would begin using new software for accounts payable on September 17th, and intend to use it for payroll beginning January 1st. The software will just show journal entries and not include history of accounts. Dr. Hayes said they planned to present the budget with spreadsheets along with a narrative. Ms. Blouin said she felt she could prepare cumulative past information. The balance uncollected shows in parentheses in the report, but this is a positive number representing the aggregate of what was budgeted versus what was collected.

5. UPDATE ON UNION CONTRACTS AND NEGOTIATIONS – (DR. HAYES & CHRIS BLOUIN)

SCHOOL: Ms. Blouin passed out a spreadsheet showing the teachers' contract for FY2011-2012. Article 4 showed \$5,434,620 for salaries of all collective bargaining members. A beginning teacher receives a one-time \$500 bonus. The total of the bonus for those above Step 15 was \$234,650. Dr. Hayes explained that the total was built on a 3 year contract, and then on a subsequent 2 year contract. The bonus was not added to base salary. The bonuses were reported as cumulative figures for the 5 years just ended. In the 3 year contract, about 45 people received \$1,500 per year, and in the 2 year contract, \$500 per year for a total of \$6,000 over the 5 year period.

Contract negotiations have begun, and a health insurance advisory committee has been established. The last contract is in place until a new one is accepted, and salaries remain the same except for those who receive advanced degrees. The compensation (bonus) for those above Step 15 would be in place, per the collective bargaining agreement. Mr. Simon brought up the suggestion from the Efficiency Committee that the town and school look into consolidating health insurance. Dr. Hayes said they had looked at that proposal, and that LGC had prepared a report last fall, but they were not aware of it until recently. He said the school also was receiving estimates from about 4 different companies, and health insurance has to be mutually agreed upon by the school and the union. Consolidating health insurance costs was discussed and it seemed that adding the two groups together would make a much larger group of over 100 that would be more expensive as it would have a higher risk profile. The school group included union members as well as other school employees and some retirees who pay. Dr. Hayes said he would share the LGC report, but felt it was difficult to read as it

did not have a summary.

Currently, the school union employees have no deductible for most tier expenses and low co-pay. Chairman Hart said he felt the committee wanted a further, full explanation of this issue so they could understand it and discuss it at a later meeting. Mr. Glennon suggested they look at other vendors than LGC that would report on a merger, which Ms. Blouin said they were doing. Ms. Blouin will contact other towns to see if or how they addressed this issue. Mr. Kiefaber summed up by saying he wanted to see a trend toward consistency in benefits between the town and the school. For example, the town employees currently pay 20% of health care premiums, and he would like to see the school move in that direction. He said he would like to see the level of sick days and buyouts for the groups come together, also. He recognized these would not all be the same in one contract cycle, but felt they should be moving closer. Committee members expressed agreement.

4. FY13 BUDGET PROCESS: SCHEDULES FOR SCHOOL BOARD, TOWN COUNCIL, BUDGET

COMMITTEE

The Committee reviewed the school district budget process schedule. The School Board will try to give its approved budget to the Budget Committee before Thanksgiving. The School Board will review the draft of the School Warrant on December 6th. Budget Committee members are invited to attend the work sessions on September 18th, 19th, 21st, 24th and 26th, October 25th and November 8th. Dr. Hayes said that School Board regular meetings are on 10/18 and 11/15.

5. UPDATE ON UNION CONTRACTS AND NEGOTIATIONS

POLICE: Chairman Hart reported that the Police Union has changed its affiliation and is in the process of formally reorganizing. Therefore, there are no negotiations in progress at this time and the past contract remains in effect.

6. BUDGET LAW UPDATE (AMY THOMPSON AND ELLEN SNYDER)

Ms. Thompson and Committee Vice Chairman Snyder had attended a budget law workshop. Ms. Snyder said that one impression she received from the workshop was that if it's not in the budget law, it can't be done. The duties of the Budget Committee are to review the current budget for expenditures in preparation for preparing a new budget, review proposals of the governing body, prepare the budget, schedule and hold budget hearings, and forward the proposed budget to the governing body to prepare warrant articles. She said they were not to be involved in day-to-day operations, but to act as a second set of eyes for the governing body, looking forward to what was best for the town.

The state has passed a law that allows potential tax impact to be included in warrant articles. First, the town has to approve a warrant article requiring the inclusion of the information in future years. The consensus of the Committee was to recommend that the Town Council and School Board each prepare warrants to that effect. There was discussion of the Committee's role in this recommendation, as it is a policy, rather than a budget consideration. The Committee cannot, as a body, place a warrant article, but it is the only body in town that deals with both the town and school budgets. By state law, a budget committee can change numbers in the budget but not on a warrant article. It was decided to vote on the recommendation with the understanding that the Committee's recommendation would not be included in the warrant article to approve including tax impact.

Ms. Kwaks moved to ask the Town Council and School Board to include estimated tax impact on future warrant articles whether determined by a town or Council/Board vote. (Clarification from the town charter should determine whether the town as legislative body or the Town Council as governing body would have to vote to approve this.) Mr. Glennon seconded. Discussion: Ms. Thompson read from the state law, which said any town must vote to approve including the information on any articles determined to have a tax impact as determined by the governing body. The governing body determines the tax impact. Ms. Thompson made a friendly amendment that the appropriate warrant article be drafted for next year's town meeting. Mr. Glennon seconded the friendly amendment. Chairman Hart suggested the article be drafted to take effect as soon as possible. The motion carried unanimously by a voice vote.

There is a new 2012 law of budgeting which is given out at workshops, but some copies are sent out automatically to

budget committees. Ms. Thompson's notes from the workshop she attended noted that including estimated tax impact on warrant articles must be voted on by town meeting or special town meeting.

7. APPROVE JUNE MEETING MINUTES

Chairman Hart asked for a motion to approve the June 27th minutes. Mr. Glennon so moved. Vice Chairman Snyder seconded. Discussion: Chairman Hart said the minutes did not need to be as detailed; he suggested they include a list of members participating, a summary of discussion and actions by the committee. The Recording Secretary will correct typos, change "Mr. Ross" to Mr. Simon, and state that Mr. Kiefaber was excused from the meeting rather than non-present. Motion carried 10 – 0 -1, with Mr. Kiefaber abstaining as he had been excused from the meeting.

8. UNDATE ON DEPARTMENT TOURS

Scheduling had been set up for Town Council and Budget Committee members had been invited. Those who had attended found the tours worthwhile and the department heads accommodating. Tours of the Police Department, Sewer and Water Departments, Finance Department and Recreation Department have been done. A tour of the DPW and Fire Department will take place on September 12th. Tours of the library and schools have yet to be scheduled. Vice Chairman Snyder will speak to the Head Librarian and Library Trustees and Ms. Mantigani will speak to Dr. Hayes. Town Council will also be informed of the schedules. Ms. Mantigani had shared tour schedules with School Board members.

Mr. Simon said previous minutes had referred to discussions of Budget Committee responsibilities. He suggested this discussion be held after Budget Committee members had attended September workshop training. Ms. Thompson said that from the workshop she attended, it was clear that the Committee could vote a certain sum for a specific purpose, but had no authority to spend or break up the money. They are a budget, not a finance committee. Mr. Simon said that while that was true, he sometimes felt the need to go into further detail and make suggestions. The full version of the RSA governing Budget Committees is available on line. Ed Portyrato was recognized and spoke about his concerns with the teachers' contract that set a bonus package totaling \$6,000 for teachers above Step 15. It was explained that this was cumulative over a 5 year period. The Budget Committee at the time had expressed its opinion that the contract needed to be clearer as there were too many add-on items, and it was difficult to determine what the salaries should be. The Budget Committee did not write or implement the contract. School Board Representative Mantegani will share Mr. Portyrato's concerns at the next School Board meeting that the language of the next contract be clearer. This was also the consensus of the Budget Committee.

9. SCHEDULE NEXT MEETING

The next meeting will be October 15th at 6:30 p.m., when the Committee will prepare its future meeting schedule. It was asked that any balance sheet changes from the present be given to the Committee in summary form before the meeting.

Ms. Kwaks moved to adjourn. Mr. Glennon seconded. Motion carried unanimously, and the meeting adjourned at 9:05 p.m.

Respectfully submitted,

Ellen Adlington

Recording Secretary