

Town Council Approved Minutes Budget Review October 31, 2012

TOWN OF NEWMARKET, NEW HAMPSHIRE
TOWN COUNCIL BUDGET REVIEW
OCTOBER 31, 2012 7:00 P.M.

PRESENT:

Council Chairman Phil Nazzaro

Town Administrator Steve Fournier

Council Vice Chairman John Bentley

Town Clerk/Tax Collector Becky Benvenuti

Councilor Mike LaBranche

Police Chief Kevin Cyr

Councilor Al Zink

Councilor Ed Carmichael

Councilor Dan Wright

Councilor Gary Levy

Council Chairman Nazzaro opened the meeting at 7:01 p.m., followed by the Pledge of Allegiance.

Town Administrator Fournier spoke of some additional potential reductions totaling \$93,410 that he had found since the budget was prepared: \$35K from HR; \$5K in health care percentage from the estimated 7.2% to 6% plus an August rate holiday savings of \$30K; \$5K from code enforcement; \$42,150 from a review of actual welfare costs, (reductions of \$25K in rent assistance, \$5,150 in electricity assistance, \$5K in heat assistance, \$7K in medical assistance); 20K in road salt which reflects past usage and steady prices: and addition for liability insurance of \$8,740 in Wastewater, but a reduction of \$10K for the MPDES permit. Overall, with these changes there would be a 1.59% increase over the previous year's budget.

1. TOWN CLERK/TAX COLLECTOR BUDGET: BECKY BENVENUTI (page 32 of the budget)

Ms. Benvenuti stated she had requested a budget of \$170,130, a 4.36% reduction over the present budget, mainly due to fewer elections scheduled for the next year. There would be a small increase in postage, estimating that stamps could cost 47¢. She felt there would be no realized savings in electronic billing as it would take one to two years to educate the public on this new service. With the new election laws, there will not be an opportunity to inform the public of this service during the Nov. 6th election. The total budget has approximately \$31K in non-salary expenditures, and Councilor Zink asked if there was any work that should be done that was not included in the budget. Town Administrator Fournier said that codifying town ordinances was required by the town charter, and had not been done. Hiring a company to review and centralize the ordinances would cost approximately \$12K, and he would recommend that they budget for this. Councilor Levy compared the proposed budget of \$170,130 to the FY2013 town approved budget of \$177,880, and the town approved FY2012 of \$174,759 of which \$167,341 had actually been spent. As the town is currently in FY2013, there are no actual spending figures available. Its increase was from the larger volume of elections over the previous year. Election cycles fluctuate from 1 to 3 elections over a 4 year time period, and this is reflected in the line items salaries for election officials and electronic registration. Council Chairman Nazzaro asked why towns pay for primaries, which are largely political party functions. Ms. Benvenuti felt this was a valid question, and she will pursue this at the state level.

2. POLICE DEPARTMENT BUDGET: CHIEF KEVIN CYR (page 43 of the budget)

Chief Cyr said his was a level funded budget. Animal control was increased by \$100. As DPW Director Malasky felt that the gasoline rack price would remain constant this line item was level funded. Equipment maintenance and equipment lease line items show changes. This was due to correctly allocating expenses between the two. Equipment maintenance depicts out-of-pocket maintenance expenses, while equipment leases shows maintenance covered by warranty agreements. He had adjusted the balances between the two accounts, equipment maintenance showing a reduction and equipment lease an increase. The budget shows no increase in personnel costs. Should an agreement be reached with the Police Union, any increase in the contract would go to the voters as a warrant article. If approved, the amount would be transferred to a separate line item. Councilor Zink said that as for other town employees, this would be the third year that there was no projected increase in salaries. Fluctuations in uniform costs reflect personnel changes. Payment for uniform cleaning is a part of the union contract.

Councilor Levy said that in general, he was looking at the town approved budget and comparing it to what was actually spent. He asked why a level budget was based on the approved budget, not the actual expenditures. Town Administrator Fournier said part of the reason was that they don't know what the actual expenditures will be for the present fiscal year, as they are dealing with a one year gap. In addition, there are health care expenses and contractual expenses that may fluctuate. He said he believed most department heads do look at actual expenditures, citing the potential reductions he brought forward at the beginning of the meeting. They not only budget for planned activities, but also for unpredictable events, such as storms. If a necessary project comes up during a year that has not been budgeted, they have to find the funds within the current operating budget. Although they try to make the budget as tight as possible, some line items that appear to be over-funded can be tapped to cover those costs. Only in the case of an emergency, can the town seek funds from DRA. Councilor Levy said he understood this but wondered if perhaps it would be possible to develop a tight line-item budget with an emergency/contingency fund for unforeseen, but necessary expenses. He said he would feel more comfortable with this as the Council would be aware of the reasons for using the account. Town Administrator Fournier said this was actually a policy decision.

The Council had received a form showing actual expenditures for the General Fund only. The form for special funds will be available shortly. Enterprise funds are not included because they do not affect the budget. Council Chairman Nazzaro said it was difficult to see what the actual expenditures were for 2012, because the Special Funds were rolled into the General Fund. He said all together it looked like the proposed budget was about \$143K over the previous year after the \$96K had been removed. He felt, in reference to Councilor Levy's point, that they could probably find that amount in various line items. In the previous year, Councilor Levy had found approximately \$200K in savings in a budget of over 10 million. He cited legal fees for which they were greatly under-budgeted versus welfare where they were over-budgeted. He said he would rather have a tight budget and a miscellaneous account for legitimate needs. He felt this would be a more accurate method of dealing with situations when extra money was legitimately needed. Town Administrator Fournier said that some towns use a contingency fund, and if the funds are not used, they go to fund balance. He said that he was not yet familiar with all department budgeting strategies in this regard, but he knew the two budgets presented at this meeting had no wiggle room.

Chief Cyr stated that in the past, Town Administrators knew where to pull funds for unforeseen expenses. He said his budget was tight and had no wiggle room, and should there be unforeseen circumstances, he would have to ask the Council for more money. He said he waits to buy new equipment until spring to make sure other expenses are covered. He said every year as Chief, he has turned money back. He said he did not know if there were contingency fund line items in other departments which would hurt them if they were used elsewhere. He said his operating budget was and had been \$127K, down from \$143 in 2009-2010. He said there had to be some sort of contingency set aside, or they would have to resort to a special town meeting or lay-offs.

Councilor Wright said he had received several emails about the need for dispatch service and whether the town could group with other towns who were dissatisfied with Rockingham. Chief Cyr said he had spoken with another town, and they were hesitant because they were not sure what Newmarket was going to do with it. He stated that overall, having town dispatch was important to the town because of the level of service it provided. He said Rockingham has 4 dispatchers working with 27 towns. He felt this decision should be based on service not just monetary savings. The program had been started with a warrant article which indicated town support. He felt the town would not be happy with the results if dispatch was handled outside the town. Councilor Carmichael asked if was possible to have some shifts handles by Rockingham. Chief Cyr was concerned about the liability if some one was dropped, and said he could not point directly to slow times. He also said the response time was much quicker with local dispatch. Council Vice Chairman Bentley said he had received emails in support of town dispatch. Chief Cyr said anyone could visit the department to see how they operate.

Councilor Levy questioned the amount for Criminal Investigation. It includes lab services, and other expert testing/analysis. Last year, there were no expenses in this category. The line item had been grouped in the past with Youth/Public Relations. The Youth/Public Relations line includes the SRO officer, and presentations for the schools and the elderly. Council Chairman Nazzaro said that Chief Cyr's budget was tight, and they were having a conversation around the total budget. He said that looking at 2012 expenditures for everything other than labor, they total \$227K, and the proposed budget totals \$238K, which includes all departments. He said he was trying to get to \$140K. Town Administrator Fournier said he was looking for policy guidance. He said if the Council wanted them to get to a 0% tax increase or 0% budget increase they could do it, and there would be cuts which they would have to do budget wide. He said this was preferable to doing cuts line by line, which would realize small savings for the amount of time and staffing required. Council Chairman Nazzaro said he thought it should be \$227K plus inflation. Accounting for inflation, the budget would be higher than \$238K.

Councilor Levy said that he did not know why this had to be considered in terms of cuts. He said he would budget as tight as possible and have a miscellaneous fund to cover absolute needs. He said those funds would have to be requested, and then the town in general would have a better idea of expenditures. Town Administrator Fournier said that Councilor Levy was suggesting that some funds be reallocated from departments to a contingency fund. He said the amount for a contingency fund would have to be determined, and asked if the goal was a flat budget, a no tax increase budget or a slightly increased budget with a contingency fund. He said they had to realize that if they added a contingency fund in year 1, it was an easy place to cut in year 2. Councilor Carmichael agreed with Councilor Levy. Chief Cyr said that the difference between the business world and the government world was that some departments of government had to provide a level of service, often for unpredictable events. This made budgeting difficult. Councilor Carmichael said he felt the police budget was low or flat, and should there be an emergency, the Council would have to find the funds. Chief Cyr said it was difficult to predict what would happen between now and 2014.

Councilor LaBranche said the proposed budget was \$140K over this year's budget. He suggested they decide on a % increase, no increase or a % decrease. He said he was not comfortable telling the Department Heads how to spend money, as the Council's function was to set policy and provide direction for the Town Administrator. Councilor Levy said he understood, but looking at the last page of last year's actual budget for the General Fund, they had budgeted 6.5 million, and spent 6.079 million. The difference of \$504K was going to fund balance which represented a 7% delta. He asked if the \$140K was an increase based on the budgeted amount, the actual amount spent or an amount in between. Town Administrator Fournier said the 6.5 million was the approved budget in June 2011. The 2012 approved budget of 6.1 million represented a 6.5% decrease in the general budget. There were cuts in vehicles, health care, IT, planning, code enforcement, welfare and HR, which was down \$300K. Town Administrator Fournier said they could always expect fluctuations in snow removal costs and often staff turnover. In those cases it is necessary to look at the budget versus the actuals.

Councilor LaBranche said that over the last 2 – 3 years, the Council, Budget Committee and Town Administrator had all done substantial work to trim the budget. He said that eventually there would come a time when they would not be able to fund all the services they are currently providing, and they would have to decide what to eliminate. He said he would be content with a flat budget, but that they would have to give direction to the Town Administrator. He said during his experience on the Council, they had cut, down-sized and contracted some services, but at some point they would have to make more difficult decisions, even requiring some services to be self-supporting. He said he would like to see the Council make a decision as to the budget goal.

Council Vice Chairman Bentley agreed with Councilor LaBranche. He said last year they had asked to see what 0%, minus 2% down to 5% would look like. He felt the Council should continue their discussion about what they would like to see, and come to a consensus before meeting with the rest of the department heads on Saturday. He suggested that Chief Cyr did not have to stay for the discussion. He said that the \$140K increase was \$2,600 a week to cut from the proposed budget. Councilor Zink said he thought the suggestion of actual expenditures was a great concept. However, the Council, unlike private business, does not have the ability to add money during a fiscal year. He felt that working off actuals and determining percentage increases or decreases would work at the department level but not at the town level. He theorized that if they did have a contingency fund the Town Administrator would come before the Council with specific reasons why extra funds were needed. He said this would cover unforeseen event issues. The departments would be driven to work within actuals, but if that were not possible, the Council and Town Administrator would be aware of the reasons for the exception. He pointed out that there are health and retirement costs that are not within the control of departments. He felt if there should be a contingency fund, it should be for the town collectively to be used at the discretion of the Town Administrator and Council.

Council Chairman Nazzaro said he agreed with Councilor Zink. He said the health and retirement were rolled up into the HR and insurance lines of the budget. He said that looking at end of year 2012 actuals of 6.1 million against a budget of nearly 6.6 million, there was almost a half million difference. He said no one was talking about eliminating services, but budgeting to what those services actually cost. He said that even if department heads explained that they under-budgeted for certain line items, the total of requested increases would not come close to a half million. Town Administrator Fournier said the 6.5 million budget and 6.1 actual expenditures were for 2012. In 2013, they budgeted 6.1 million, which was to actuals. He said they were closer to actuals with an increase of \$143K than they had been in previous years, and the largest part of that amount was for retirement benefits. He said as a result of their audit, there was a savings in health insurance, but during the year there could be changes which required more money be allocated. He assumed that the amount budgeted for health insurance had been higher to anticipate these changes.

Town Administrator Fournier said that any monies moved from a contingency fund to a department would require a Council vote. Councilor Levy said the budget decrease from 2012 to 2013 was not an accident, but was based on their looking to save the taxpayers money. He suggested that a portion of the bonus/incentive plan in the proposed budget could be used to reward efficiency for those who reduced spending while not reducing services. He was concerned about end of year budget spending that reflected the idea the money would be lost if not spent. He said he understood there could be emergencies. Overall, he said he would like to see the bonuses in line with the town's goal of efficient operation without the loss of quality services.

Council Chairman Nazzaro referred to Councilor LaBranche's point that last year they had given direction as to what they wanted to see budget wise. He asked Council members for a consensus of what they wanted the bottom line to look like. Councilor Zink noted that a significant amount of the operations budget is retirement and health, and that 70% of the budget is fixed costs that they cannot control. He said as a Council, before they made a declaration, they should understand the implications of fixed costs to the overall budget. Town Administrator Fournier said that retirement represented \$124K of the \$143K budget increase, and that health costs had balanced out. Councilor Zink said that wages were not going up, so they were fixed, health and retirement would nearly cancel each other. Town Administrator said they budgeted 40K towards revaluation and 50K for a merit pool. He said a lot of capital items had been removed. Councilor Zink said, giving as an example the Police Chief, he doesn't have to concern himself with significant increases in retirement and medical insurance, as they are not controllable costs. He said that if they said the budget was going to be flat they could not use the excuse of retirement benefits increasing. Town Administrator Fournier said they could say department budgets would be flat, but, in this case, not the town budget.

Council Chairman Nazzaro said the amount for health and retirement was under-spent by 225K in 2012, which was more than the projected increase. He said the residents deserved a tax break and could not handle a tax increase. Town Administrator Fournier asked if they were asking for a flat budget or a flat tax increase. Councilor Levy said he thought this year they would have a tax decrease. He said he would like to see them at actuals from last year, with an incentive plan to help find efficiencies that would encourage departments to come in under actuals. He emphasized that once they arrived at their tax rate for this year, he wanted to insure that, because they were using some one-time money, that a decrease this year did not lead to an increase the following year. Councilor Zink agreed and added that they should add a contingency to cover fluctuating costs for exceptional circumstances to be administered by the Town Administrator and Town Council, rather than department heads. Town Administrator Fournier said that next year he would be proposing Capital Reserve Funds, similar to contingency funds, for such things as health care stabilization and earned time/sick time to be paid at bank-out. These funds would not be part of fund balance, and could be thought of as rainy day funds.

Council Vice Chairman Bentley and Councilor Carmichael said they would like to see a decrease in the tax rate. Councilor LaBranche asked if they meant a decrease in the overall tax rate or a decrease in the municipal tax rate. The Council only has control on the municipal portion. He said he was going to agree with the Town Administrator's proposal of a \$140K or 1.5% increase in the budget, as he is the one managing the departments, and will ensure that there are not a lot of additional expenditures in the last quarter of the year. He said that in stabilizing the budget for the future, they could look at ways to contract services, and question, when people leave, if they need to be replaced. He said for this budget he was comfortable with the \$140K increase, and he didn't see a way to cut without disturbing services. Councilor Wright felt this was a good discussion and said he wanted to see a decreased tax rate, but did not want to see a yoyo tax rate. He felt incentives should not be limited to department heads, but also available to reward department members who realized efficiency or savings. He said the last thing he wanted to do was tell a department head how to run his department.

Council Chairman Nazzaro said the tax rate matters because it has an impact on the residents, and he would like to see services at as high a level as possible at an affordable cost to the town. Council Vice Chairman Bentley said he would like to see a decrease in the tax rate, but was satisfied with the \$140K increase, considering what they anticipated for the year. The savings in fund balance and from the TIFs will affect this year's tax rate, not next year's. He especially

supported the \$50K bonus plan as a part of the 1.5% budget increase. Councilor Levy said that if they wanted to set up a CIP or contingency, he would first look at other CIP funds to see if they could take some money from those. He added that, rather than waiting for turnover to occur, even though he understood the reason for this, they should be looking for efficiencies as many residents were having a difficult time paying their taxes. Councilor Carmichael agreed, and added that he knew residents who were thinking of moving because they could not afford to live in town. He was in support of the \$50K incentive plan.

Town Administrator Fournier said he would come to the Council with a 0% increase tax rate budget. He added that one way to reach a 0% tax increase could be to increase revenues. He said many fees in town had not been touched in 10 years. He thought some of the departments should have revolving funds to could cover their costs, and thought they should look at the programs. Councilor Levy said that they had looked at aberrations that affected the budget, but that last year they had to write off money because of bad bookkeeping practices. He wanted to see Town Administrator Fournier's suggestions on fees and programs. Council Chairman Nazzaro said he had no problem looking at fees that might be out of date, but to him a fee was a tax by another name. He felt they should first work at getting the budgeted expenditures as close as possible to actuals. Town Administrator Fournier said that his usual procedure would be to first ask the Council what they wanted, but in this case, there were time restraints.

Chief Cyr said that Office Scott Kukesh was doing much better, and he expected him to return to work the following month. Town Administrator Fournier gave a storm update. They had been on conference calls before and during the storm, and met with Emergency Management. The town offices were closed at 1:30 on Monday. Newmarket was one of the hardest hit towns with power outages. At the peak of the storm, 65% of the town was without power, and as of the meeting, there were 35 households without power. With a state of emergency being declared, the town can apply for reimbursement of expenses. Council Vice Chairman Bentley had spoken with PSNH, and they had the largest 5 outages in the past 4.5 years. He said that Newmarket and certain areas were always the hardest hit. He said that part of the PSNH budget cuts had involved not cutting trees, and he felt they should have a discussion with them. Council Chairman Nazzaro said there was some damage to private property, but no damage to town property. He commended the fire, rescue, police and DPW departments for their work.

Next meeting: budget review with Department Heads on Saturday, November 3, 2012 from 9:00 a.m. to 3:00 p.m.

Council Vice Chairman Bentley moved to adjourn. Councilor LaBranche seconded. Motion carried unanimously. Meeting adjourned at 8:55 p.m.

Respectfully submitted,

Ellen Adlington,

Recording Secretary