

**TOWN OF NEWMARKET, NEW HAMPSHIRE
BUDGET COMMITTEE
NOVEMBER 18, 2013
TOWN COUNCIL CHAMBERS**

MEMBERS PRESENT: Vice Chair Amy Thompson, Judy Ryan (arriving at 7:20), Dana Glennon, Drew Kiefaber, Russ Simon, William "Blue" Foster, David Foltz, Michael Lang, Town Council Rep Larry Pickering, School Board Rep Cliff Chase

EXCUSED: Chair Ellen Snyder

ALSO PRESENT: Town Administrator Steve Fournier

Vice Chairman Thompson called the meeting to order at 7:01 p.m., followed by the Pledge of Allegiance.

MINUTES

Mr. Glennon moved to approve the minutes of the October 28, 2013 meeting. Mr. Simon seconded. Mr. Simon asked that "school's unassigned fund balance" be changed to "town's unassigned fund balance" in the first full paragraph on page 2. The motion to approve the minutes as amended passed, 9 – 0.

OVERVIEW AND PRESENTATION OF TOWN COUNCIL MUNICIPAL BUDGET: Town Administrator Fournier

Town Administrator Fournier provided the Committee with a power point presentation of the Town Council municipal budget that had been approved on November 12th, beginning with economic indicators. The CPI, during the last fiscal year, had increased 2% nationally, 1.8% in the North East and 1.9% in the Boston region. The unemployment rate during the last fiscal year had dropped from 8.6% to 7.3% nationally; from 5.7% to 4.4% state wide; from 5.7% to 5.3% in Rockingham County; from 4.9% to 4.4% in the Portsmouth area and from 4.6% to 3.6% in Newmarket. He noted that most people in Newmarket work outside the town. The tax rate had been set for FY2014 at \$24.46, with \$15.02 or 61% for local school, \$2.36 or 10% state school, \$1.02 or 4% for county and \$6.07 or 25% for the town. The 2 school taxes combined meant that 71% of the budget was for education. A ten-year tax comparison showed a spike in the tax rate in 2012. The town's share of the budget showed a rate of \$6.07 for FY2013 and FY2014. Since the Claremont split in 1996-97, towns have been required to conduct a revaluation every 5 years. The tax rate comparison was based on towns that had completed setting the tax rate. Newmarket's rate was close to the middle range, with those towns closest to the water showing the lowest rates. Mr. Simon asked if anyone tracked tax rate growth in towns, and Town Administrator Fournier said he was doing this. To Ms. Thompson's question, he said that Newmarket's valuation was fairly average, and the statistical valuation would be done in the coming year.

Town Administrator Fournier defined fund balance as unreserved funds, sometimes called surplus, that are not cash on hand, but a method of accounting. NHDRRA recommends that municipalities, as the collection agency, retain between 5% and 10% of appropriations for the town, schools and county as fund balance, while the GFOA recommends 8% to 17%. Newmarket's Town Council had adopted the 5% to 10% policy, and currently, the fund balance was at 10.5%. The 10 year analysis of fund balance showed a high of \$3,259,551 in 2009, and a low of \$1,362,628 in 2012. The amount in fund balance before setting the FY2014 rate was \$2,380,062, and the Council had voted to use \$461,000 to reduce taxes and keep the town's rate at an even \$6.07, reducing fund balance to \$1,919,062. The town can only buy down the town's share of the budget. . During the past fiscal year the town had added \$1,017,434 to fund balance. If the amount of \$404,460 in fund balance is used for capital expenses in the FY2015 budget, there would \$1,514M or 8.2% remaining. He said that budgeting the use of

fund balance was according to Council policy. This would help stabilize rates from year to year and prevent spikes in taxes.

The addition of \$1,017,434 to fund balance during the past year was broken down: the sale of the former DPW building for \$234,310; increase in motor vehicle revenues of \$90,076 above projections; increase in miscellaneous revenues, such as building permits of \$4,088 above projections; closing of the parking fund for \$187,761, and under spending of the FY2012-2013 operating budget by \$501,208. The latter was broken down into some savings because of unfilled positions, savings in health insurance and retirement costs and other costs, some of which had been adjusted in the FY2014 budget figures. (Ms. Ryan arrived at this point.) Mr. Pickering asked the Town Administrator to explain how revenues are again reviewed for the December tax bills. He replied that revenues had to be projected for the end of FY2015 in 2013, and for that reason, they were reviewed and some were raised and some lowered during the year. He would be reviewing revenue projections again before the end of the year. He explained that in 2012, the state did away with revenue sharing, and the town did not have enough in fund balance to cover the gap so nothing was used to buy down the tax rate. This was a part of the reason that the tax rate showed a \$3.00 tax spike. He said they were not intending to build a surplus, but had to be prepared for this type of surprise. Town Administrator Fournier went on to say that some funds had been used to have a level tax rate for the last 2 years, but fund balance could also be used for one-time expenses, rather than having them hit the tax rate. He explained that fund balance was not a contingency fund. Mr. Simon and Ms. Thompson both suggested that if it was determined that an amount was consistently available to buy down taxes in the fall, then perhaps that amount should not have been originally budgeted.

The Town Council was proposing a budget for FY2015 of \$9,115,912 which was a reduction of \$31,923 or -0.35% from the FY2014 budget, an .84% reduction from the Town Administrator's budget and a 9.61% decrease from the departments' proposed budget. Town Administrator Fournier next went over the expenditures by fund. The general fund was at \$6,349,435 for a 3% increase over the FY2014 budget, and the Library was at \$303,736 from the FY2014 budgeted total of \$300,931. He explained that the apparent decrease in the Recreation budget, from \$387,054 to \$191,172 was because the latter amount was a revolving fund for programs, and would not have to be raised through taxation. Administrative and staff costs along with a subsidy for the Senior Center, which did not generate much revenue, were in the operating budget. However, the cost of running the Senior Center was fairly small. The revolving fund was set up to make recreational programming self-sustaining, as programs would have to pay for themselves. Mr. Glennon said he had been asking for something to be done for a long time, and was glad to see the change. Town Administrator Fournier said that recreation had been a special fund, and anything not offset by revenues had to be raised through taxation. Now, revenues would not go into the general fund, as they would go directly into the revolving fund. Revenues from programs would have to cover their costs or make a profit which could be used to subsidize less self-sustaining programs. Programs that did not break even could also be cut. Funds in the revolving fund would not lapse at the end of the fiscal year, but would be retained in the fund. Administrative costs would still be raised through taxation, but program expenses would not. In the event that the revolving fund showed a larger profit than expected, some administrative costs could be assigned to the fund, but Town Administrator Fournier said that he knew of no municipalities that found they could cover those costs.

Town Administrator Fournier said that solid waste costs were decreasing slightly from the FY2014 budgeted amount of \$450,225 to \$449,621. Water was down from the FY2014 budgeted amount of \$848,597 to \$829,062 and wastewater was down from the FY2014 budgeted amount of \$954,019 to \$947,896, although these 2 budgets affected rate payers and not the tax rate. All budget reductions or increases were given on a budget to budget basis, rather than an actual expenditure to budgeted amount basis, even though actuals were included in the comparison charts. The budget for the general fund at \$6,394,435 represented 70% of the total town budget; special and revolving funds at \$944,519 represented 10%; water and sewer at \$1,776,958 represented

20%. Water and sewer were self-funding and had off-setting revenues and the special and revolving funds had partial off-setting revenues which would be seen in another part of the budget.

Budget increases were from \$37,000 used from the budgeted amount of \$50,000 for merit increases and associated benefits; human resources showed increases of \$55,529 for FICA, \$67,859 for health insurance because of a 9.8% increase in rates and \$7,493 for liability coverage, although the latter was lower than originally expected because of a proposed change in carrier. Legal costs were up \$7,500, but the new Town Attorney was on an annual retainer of \$75,000. Planning showed an increase of \$10,000 for updating the Master Plan; IT was up \$5,109 for new equipment, and DPW was up \$18,229 as the Director's salary and benefits had previously been partially paid from water and waste water accounts. He no longer supervised water and sewer, so his salary and benefits were now fully paid through the town's budget and taxation. Town Administrator Fournier said part of his salary is paid through water and wastewater funds. Roads showed an increase of \$28,000 as Newmarket was now one of the area MS4 towns and had to begin work on a state mandated engineering plan to monitor storm run-off. Salt showed a \$5,000 increase. Fire/rescue showed a \$52,402 increase, broken down into \$16,000, as Exeter would no longer do billing for ALS, although there was off-setting revenue for this figure; \$15,000 to give stipends to volunteer firefighters to ensure coverage during the weeks from May through October, and \$5,000 to replace radios.

Town Administrator Fournier said that Capital Reserve contributions showed an increase of \$28,000: technology had not had a contribution for a number of years, and \$10,000 was recommended; \$2,744 was recommended for police as Crown Victorias were no longer available, and the department would be changing to a new type of vehicle; \$3,000 was recommended for recreation for playground improvements, and \$31,113 was recommended for storm water management for engineering to begin setting aside money for the MS4 project as it would have a significant future cost. The latter would be about a 5 year project. There also was a \$40,000 contribution to solid waste to have a household waste day, also referred to as spring cleanup. He noted that the Council was looking at ways to run the program more efficiently. To Mr. Simon's question he said that the town did subsidize a large percentage of the costs for solid waste, and currently the recycling market was down because construction was down. To Mr. Pickering's question, he said that the town used Granite State Minerals and another firm for salt because in the event of a shortage, the town would be able to maintain sufficient supplies.

Decreases in the proposed budget for the finance budget were \$8,260 for personnel changes and \$6,250 in auditing fees because of a change in firms. Decreases in the Town Clerk/Tax Collector department were from a decrease in salary of \$7,806 and a decrease in codification expenses of \$11,300 as the project was nearly complete. Human resources said a reduction of \$36,903 from changes in personnel with lower salaries and a one-time savings in workers compensation coverage of \$61,934 from a change in carrier and a change to an 18 month cycle, allowing this insurance to be on a fiscal year. He said that the Joint Loss Management Committee was working to reduce the number of future claims. He expected that there would be an increase in the FY2016 budget for workers comp as then they would be on a 12 month fiscal cycle. Assessing showed a decrease of \$6,500 as this was now a contracted service. Debt service showed a decrease of \$140,250 as the town no longer had to collect this amount annually for the DPW/Fire Station building. DPW vehicle maintenance was down \$15,000, as it seemed to be a more accurate figure. Solid waste showed a decrease of \$20,000 to \$30,000, closer to actual expenses, for the required annual monitoring and testing of the closed landfill, which was a super fund site. The costs were reduced as less testing was required as time went on. In the future, the town would be able to go out to bid for the testing. Water showed a decrease of \$19,535, \$8673 from moving the water share of the DPW director's salary to the operating budget, and sewer showed a decrease of \$6,123 for the same reason.

To Mr., Simon's question, Town Administrator said this would be the first year of budgeting for water runoff, and as they expected costs to increase, they were trying to put funds aside to prepare. Other than that there was no new programming. The Town Council had reviewed the Town and Administrator's budget and made some changes: a reduction of \$1,000 in the Town Administrator's budget for printing and publishing; a reduction in the Finance Department budget of \$10,000 for the Director's salary and \$2,000 for advertising; a reduction in the Human Resources budget of \$42,858 for worker's compensation and \$22,901 for unemployment based on the rates from the insurance company; a reduction in the Assessing Department budget of \$2,950 for various supplies, etc.; a reduction in the Planning Department budget of \$1,000 for staff and Board development and training and another \$1,000 for subscriptions; a reduction in the IT budget of \$1,000 for training, \$600 for communication services and \$1,000 for Channel 13 equipment; a reduction in the Bridges/Signs allotment of \$500, which zeroed out the line item; a reduction in the vehicles account of \$28,000 for DPW equipment maintenance; a reduction in Capital Reserve contributions of \$30,000 to reflect the proposals for revaluation; a reduction in the Solid Waste budget of \$5,000 for supplies at the transfer station, \$5,000 for spring cleanup and \$20,000 for landfill closure monitoring; a reduction in the water budget of \$6,000 for electricity and \$5,000 for engineering. Town Administrator Fournier said he would get the totals for the Committee. He said they had budgeted \$70,000 for the Finance Director's salary. Mr. Angell was currently the Interim Finance Director.

The next slide showed the revenue budget, which was conservatively estimated with a slight decrease in the total from FY2014 to \$4,869,586 for FY2015. Of that amount, it was estimated that \$2,593,368 would be in the general fund for all revenues with the exception of taxes; \$435,622 would be in special and revolving funds and \$1,776,968 would be in water and wastewater. Town Administrator Fournier said the tax rate was determined by taking the expenditures, reducing it by the revenues and adding in 2 other amounts. Ms. Thompson said she understood the reason for being cautious in revenue projections at this point, but she felt they had to look closely at historical data, and perhaps be less cautious. Town Administrator Fournier said it was within the purview of the Budget Committee to increase revenue projections, but they would look at it more closely at another meeting. Mr. Simon added that whether they reduced expenditures or increased revenues, the net effect would be the same on the community by reducing the expense to the community, and reducing the amount to be used from fund balance. Town Administrator Fournier said this would not happen as \$404,460 from fund balance was already in the revenue projections. He said if they wanted to increase revenues somewhere else they could not reduce the \$404K as they wanted to keep this budgeted amount level. However, they could use some to reduce the tax rate in the fall. Ms. Thompson clarified that whether there was a decrease in expenditures or an increase in revenues, the amount raised from taxes would be lowered.

The Budget Committee can adjust the revenue amounts as part of its budget recommendation, but cannot increase the fee for vehicle registration, only the total amount of the projection. Ms. Thompson said the Council and Budget Committee could estimate revenues, but if historically they had been able to increase the amounts going into the general fund, the projected revenues could be increased. This did not mean they were increasing revenues or expenditures, only budget figures, and there could be increases or decreases in individual revenues which would offset each other to maintain the bottom line.

Town Administrator Fournier emphasized that the final slide on tax impact was an estimate at this point based on the Town Council proposed budget. From the gross appropriations of \$9,115,912, revenues of \$4,869,586 would be subtracted, and then the overlay for tax abatements of \$100,000 and the \$175,000 for war service credits would be added to reach a net town appropriation of \$4,521,326. This figure would be divided by the town wide assessed value of \$744,537,982 and then divided by 1,000 to reach an estimated tax rate of \$6.07 for FY2015, the same as it had been the previous 2 years. Mr. Simon said this was especially when he would like to see a separate sheet for the general fund and another for special funds, etc. as water and sewer have nothing to do with the tax rate. Town Administrator said the revenues for all funds were included on the revenue line because DRA requires it be done this way. For an average home valued at \$250,000, the town portion of the tax

bill would be \$1,517.50, showing no increase. A tax white paper is available through the Tax Collector's department on the web site, and people can put in the assessed value of their home and see exactly what they are paying per department on their tax bill.

To Mr. Chase's question, Town Administrator Fournier said that valuation for Newmarket had increased, not from new construction, but from a slight increase in the sales price of homes. The Mills were not fully on line yet, but would be in 3 years. The only other property in Newmarket that had 79E abatement was the former Joyce's Kitchen, and that abatement had been granted for 3 years. The program was used to encourage the development of older properties that otherwise might not be cost-effective for a developer to update. The program froze the tax assessment at the level that existed when the project began and for a certain period, and then the property was assessed at an increased value. Town Administrator Fournier said the highest valuation for Newmarket was about \$745M. Ms. Thompson said that assessments were estimates and they did not know what properties would or would not exist in the future, but with an increase of \$100,000 in valuation, the budget was actually higher, and the amount needed to be raised through taxation was actually higher. Town Administrator Fournier said this was part of the revenue deduction. He said that the \$744M valuation of the town was rated to be at 103%, and a statistical update was required to be within 85% to 120%. He expected that when the valuation was complete there would be a 1% to 2% swing in assessments. Ms. Thompson said they needed to look at any expansion of the tax base in light of increasing the expense side of the budget. Ms. Thompson said that the \$6.07 rate was really a moving target.

Mr. Foster said he was not a fan of buying down the tax rate, and Town Administrator Fournier said that the rate would have been \$6.31 without the buy down. The town did not have any large capital projects for FY2015. Mr. Glennon asked about any warrant articles that the town would present. Town Administrator Fournier said that the state had passed legislation that allowed towns to have contingency funds, and he would be preparing a warrant article to establish one in Newmarket. He also was proposing a capital reserve fund with an annual contribution of \$2,000 per year to prepare for the town's 300th anniversary in 2027. To Mr. Foster's question, Town Administrator Fournier said that they were not selling property around the well, but were developing a well. Ms. Thompson asked what other town property might be considered for sale, and Town Administrator Fournier said the Town Council had a sub-committee that would be reviewing all properties. Ms. Thompson said that was important to know in light of possible revenues that would go into the general fund.

MEETING DATES

Town Administrator Fournier said he would prepare a list of Department Heads to present their budgets at the December 9th and 16th meetings. Proposed warrant articles would be on a January agenda. The Committee will hear the overview of the school budget at the November 25th, 7:00 p.m. meeting. Ms. Thompson said the Committee would have 2 weeks to look over the town budget and prepare questions. In order to comply with the Right to Know Law, Committee members would prepare and aggregate questions for the Town Administrator and have them ready for the November 25th meeting so he would be able to prepare answers for the December 9th meeting. Town Administrator said, in the interest of saving time, there might be some department heads that would not have to come in, especially for the smaller departments, as he could answer the questions. After discussion, it was decided that he would prepare a recommended list and email it to the Chair and Vice Chair.

Mr. Glennon said he liked the format of the budget, even though the print was small. Town Administrator explained that, as more information is included, the data expands horizontally, rather than vertically. Mr. Glennon complimented the refurbishing of Town Hall. Mr. Chase updated the Committee on the progress and the delay in the tuition agreement decision from Durham. He said the representatives from Oyster River and Newmarket would meet on December 3rd, to continue negotiations, and Oyster River anticipated it would make

a decision on December 18th. Newmarket School Board had a meeting scheduled for December 19th. Mr. Chase said the dates were very close to the time that the school had to present its warrant articles. Mr. Glennon asked what was causing the delays, and Mr. Chase said that Oyster River was also considering redistricting its elementary schools, but beyond that it was hard to know. Mr. Chase said that the decision was painstakingly slow. Ms. Thompson noted the original date had been December, although Newmarket had pushed for an earlier date. Mr. Foltz said he had watched the Oyster River meetings, and said that while Newmarket was in an emergency situation, Oyster River was not, and did not have the same sense of urgency. Mr. Foster added that redistricting the elementary schools was a very hot and controversial subject in Durham.

ADJOURNMENT

Mr. Pickering moved to adjourn and Mr. Kiefaber seconded. Motion carried unanimously and the meeting adjourned at 8:30 p.m.

Respectfully submitted,

Ellen Adlington, Recording Secretary