

**TOWN OF NEWMARKET, NEW HAMPSHIRE
MUNICIPAL BUDGET COMMITTEE MEETING**

AUGUST 30, 2021 7:00 PM

TOWN HALL AUDITORIUM

Approved September 27, 2021

MEMBERS PRESENT: Chairman Joe Lamattina, Vice-Chairman Michael LaBranche, Brian Hickey, Roger Cady, Christopher Wolfe, Ned Carpenter, Richard Lesavoy, School Board Rep Gary Swanson, Town Council Rep Brian Ward

VIA ZOOM: Eric Wigode

ALSO PRESENT: School Business Administrator Janna Mellon, School Superintendent Dr. Susan Givens, Town Finance Director Bill Tappen

AGENDA

Chairman Joe Lamattina welcomed everyone to the Newmarket Budget Committee Meeting of August 30, 2021 and called the meeting to order at 7:00 pm, followed by the Pledge of Allegiance.

The Budget Committee voted 9-0 to allow Eric Wigode to participate in the meeting via Zoom.

PUBLIC COMMENT

Chairman Lamattina opened the Public Comment at 7:02 pm.

As there were no comments, Chairman Lamattina closed Public Comment at 7:02 pm.

OLD BUSINESS – None

NEW BUSINESS

Review – School June 2021 Financials

School Business Administrator Janna Mellon said our Quarter 4 financial report was submitted, with information sent by category and as expenditures reported to the State for our tax-rate setting. She said it is easier to look by function code for financials, and the dollar amount is the same for both.

EXPENDITURES: Business Administrator Mellon said the first part of the report deals with expenditures, appropriated monies we have. She said there was significant impact from COVID with expenditures they were not able to expend, broken down to show where those monies were left in the Budget. For Salaries, over \$500,000 was left due to staffing challenges and reduced programming, with another

\$475,000 in benefits alone. They were unable to do professional development and there was significant savings in Special Education Services.

Business Administrator Mellon said expenditures left open at the end of the fiscal year are presented to the School Board to encumber those funds until next year, and \$368,000 was encumbered for 2020; funds not spent as approved are returned to the District. Voters approved \$415,531 to be used from Bond Interest to improve building projects, some of which were completed for less than anticipated. One large piece was to purchase furniture, but because of COVID they had to remove and store furniture. As a result they asked in a Warrant Article last year to put furniture into a Capital Reserve Fund with approximately \$60,000.

Questions: Mr. Carpenter asked if any savings in salaries and benefits were planned or were all due to the pandemic. Business Administrator Mellon said the Budget just closed out was created in the Fall of 2019 before COVID and they were anticipating a normal school year. Superintendent Givens added that they could not hire staff due to lack of applicants. She said they tried to take advantage of grants but there were also expenses not anticipated. Business Administrator Mellon said they did partner with the Town last year to piggyback their GOFFER Funds (\$65,000).

Mr. Carpenter asked if they had to go back and re-hire positions they saved money on last year. Superintendent Givens said staffing is very different this year as they are not offering remote; they needed Elementary School teachers at all levels and added incrementally in Jr-Sr High School, all charged to a Grant and do not show up here. She said they intend to fill all positions if they get qualified applicants and are still advertising for paraprofessionals and tutors; they did fill all academic teacher positions except 1 guidance counselor. They will also continue to outsource for maintenance, custodial, and food service.

Mr. Cady asked if the cost is higher for outsourcing, and Superintendent Givens said she did not think it would go higher but those costs could go up due to hiring issues. Mr. Wolfe said the benefits portion is about 44% of salaries compared to an industrial environment. Superintendent Givens said agreements are all contracted in 3-year agreements with benefits guaranteed; Health Insurance benefits have gone up 5% and we pay 21.02% for retirement which is decided at the State level; there is also severance pay. She said significant changes were made to health plans with savings that offset salary increases for that year.

Mr. Lesavoy asked if there were other benefit savings besides reduction in salaries. Business Administrator Mellon said some of the salaries do not get those kinds of benefits. She said we were able to leverage grants in this year to offset some of those costs and are looking for something to offset some outsourcing costs. She said they looked at a number of models for custodial/maintenance services and the most expensive was fully insured.

REVENUES: Business Administrator Mellon said Revenues were broken down similar to State reporting, and local revenues overall were less by \$240,000 with a large part due to Food Service sales. She said State revenues overall were higher than expected; Adequacy Aid for FY2021 dropped in the middle of the year by \$11,000, but Special Ed Aid increased by \$82,000 with a slight increase in State revenues. As far as Federal revenues we saw a lot of projects offered mostly after payouts, with 2 more tranches we can spend through 2023. There were also ESSER Funds (with CARES Act) to help K-12 educational entities with COVID expenses (not included in this year's closing).

FUND BALANCE TO REDUCE TAXES: Business Administrator Mellon said this is basically our assets less liabilities and what is left over; does not translate evenly due to certain accounting adjustments and blending of funds but is generally the same number as in expenditures. We take the retained fund balance we are allowed to withhold and at end of year calculate what we held last year and the difference between what we would hold and retain that to get down to an Unassigned Fund Balance to reduce taxes which agrees with what our audit shows: \$1,538,201.

Vice-Chair LaBranche said fund balance retained is 2.5% which is not \$454,000. Business Administrator Mellon said it is 2.5% of net assessed value not of the Budget. She said the State Legislature last year voted to increase that percentage to allow Schools to withhold 5%, but our Warrant Article said 2.5% so that is the maximum we can withhold right now. The \$454,000 is the whole retained balance; what was set aside for contingency goes back to fund balance.

Business Administrator Mellon said the State changed our adequacy formula in mid-year which will result in an additional \$500,000, which we cannot legally expend because DRA set our tax rate with a different number. She said there is a way to hold a special meeting to allow us to be able to retain that funding for a particular purpose and they have a timeline for the Board, but it will be a very quick-moving process as it has to be done before tax-rate setting which usually happens in November. For last year the Unassigned Fund Balance was \$1.1 Million.

Superintendent Givens said she has never seen this amount of money at the Federal level become available for Education, and they anticipate some opportunities again next year. She said they plan on moving most of their co-curricular programs and will again be fluid this year to tap other sources. Business Administrator Mellon said it has been more than 10 years since Newmarket has been subject to a "single audit" which is when you take in more than \$750,000 in Federal funds in one year.

Chairman Lamattina asked about the special voting they are talking about, and Superintendent Givens said they would like to consider being able to use unanticipated revenue. Chairman Lamattina asked if they already have the funds, and Business Administrator Mellon said it comes in payments throughout the year by the State, so we have been guaranteed a higher level of State funding than was used to set the tax rate. The difference between what DRA used last year to set that rate and what we will actually get is \$485,000.

Superintendent Givens said Adequacy Aid is somewhat tied to the previous budgets; Business Administrator Mellon said they let us use the prior year and it will be a one-year spike, so they do not want to use the money to start new programming. Chairman Lamattina asked if they had any idea regarding the Adequacy Fund, and if it will repeat last year; Business Administrator Mellon said it is for 2 years, so \$485,000 is for the year we are in now; next year set at approximately \$320,000. Chairman Lamattina asked about a Warrant Article in March and Business Administrator Mellon said it will not be needed; Superintendent Givens said it was an estimate for this year and next year.

FEMA UPDATE: Business Administrator Mellon said last year at this time a claim was submitted to the State for expenditures and we are looking for reimbursement. Schools were then cut out and they worked with the Town to share GOFFER Funds. Schools are now again included and this year they submitted a claim of \$65,000 for January to June and anticipate more expenditures June to September; the claim now has to go to Feds for project closeout. There are 2 other ESSER Grants they are looking at to find how to best leverage the funding.

Business Administrator Mellon said they can apply the revised Adequacy Aid of \$485,000 to lower the tax rate if we do nothing or can assess through RSA 197:3 regarding the special meeting. Based on the timeline calculated they would have to have that before tax-rate setting time this year and back dates up from there; we do not have a lot of time with posting requirements. The Board may decide we need to reconvene with the Budget Committee in an advisory capacity. Lastly, she said our Auditors recommend we think about a Warrant Article for March to allow us to increase the percent you can retain from 2.5% to 5%, which is the new statute amount.

Chairman Lamattina asked if the School had seen an impact on enrollment due to the State authorizing vouchers for people to send kids to private schools. Superintendent Givens said based on what she is seeing they are gaining numbers and not losing. She said an influx is usually seen when facilities are upgraded.

Review – Town June 2021 Financials – Year End 2020-2021

Town Finance Director Bill Tappen said he would highlight the material points and focus on the General Fund.

EXPENDITURES: Under-expended by 9% due to personnel changes and positions going unfilled; Buildings & Grounds was 21% under-expended due to the Facilities Director role being unfilled for much of the year; electrical expenditures were lower with decreases in that department as well. Police were 10% under budget due to personnel changes and positions unfilled during the year; parttime, fulltime, and overtime were all under. Those constitute a good majority in terms of singular line items and make up much of the under expenditures in the General Fund.

Finance Director Tappen said Enterprise & Special Revenue Funds/Rec Department were 50% under-expended due to the pandemic; Solid Waste was over budget due to increase in recycling costs of \$91,000 and Solid Waste up \$61,000. Water was 7% under-expended and Wastewater 5%. Chairman Lamattina asked if they are returning approximately \$700,000 to the General Fund. Finance Director Tappen said not necessarily as sometimes it rolls over and gets blanked out, they are still finishing their Audit, though it looks to be a significant amount.

Mr. Carpenter asked if the \$690,000 just goes back to taxpayers. Finance Director Tappen said there is money you can retain and money back to taxpayers. He said our policy is about 5% which they cannot go below as a safety net to make sure the Town can cover its expenses. Vice-Chairman LaBranche asked the current General Fund balance for the Town and whether there is a general-fund parameter for the amount; Finance Director Tappen said around \$2.9 Million in the General Fund, and said the DRA has a higher percentage recommended for holding back money closer to 10%. Mr. Cady asked about Legal being up \$35,000; Finance Director Tappen said they had some personnel issues that became legal matters which was unanticipated.

REVENUES: Finance Director Tappen highlighted that the General Fund relative to tax revenue overall was largely on target. Licenses/Permits/Fees were 6% over mostly due to motor vehicle registrations; State-Sourced Funds were up 13% with more Rooms & Meals tax, to about \$54,000, and more Municipal Aid than anticipated. Charges for Services were 16% under which was probably pandemic related due to Ambulance receipts being under what was budgeted. Enterprise Funds & Special Revenues: Rec was 17% under by approximately \$69,000 due to pandemic-lost programming; Solid Waste 38% over budget; Water up 18%; Wastewater up 13%. Mr. Cady asked if Solid Waste revenues were up also, and Finance Director Tappen said yes due to more construction waste than typical due to the pandemic.

Chairman Lamattina asked about COVID-related expenses, and Finance Director Tappen said he would talk about government-specific funding provided to Newmarket as a community as a result of the pandemic. He said one thing which impacted expenses was the NH Secretary of State provided funding for voter-related activities which went to the Town Clerk/Tax Collector. They also had access to GOFFER Funding which provided \$223,000.83 to mitigate pandemic-related costs, improved our firewall infrastructure and included virtual private networking.

Finance Director Tappen said FEMA is intended to work with GOFFER with a 75%/25% split. FEMA is also paying for overtime labor and benefits specific to First Responders: Fire/Rescue and Police Departments. Shortly after FEMA changed policy to pay 100% and added to funds we were supposed to get in that process. The last submission is due September 30th, and \$31,000 has been received from FEMA so with plans to submit more.

ARPA (American Rescue Plan Act of 2021) also gave money to every community, half this year and half next year. We received \$497,000 as a first installment and are trying to figure out how to use this as it is very restricted. Looking to use for water projects for now and technology to support water improvements for the community. Can use for affordable housing, expanding broadband capability and access; ultimately a decision to be made by the Council.

Mr. Cady asked where those revenues show up on the sheet, and Finance Director Tappen said they do not as they are grants, not money budgeted, and do not really affect the Budget Committee as monies are outside the General Fund. Chairman Lamattina said it is income and expenditures to the Town and the Budget Committee should be aware. Mr. Cady said the information is very welcome and he believes the statute allows the Budget Committee to have access. Chairman Lamattina said he would bring this up to the Town Manager.

Approval of Budget Committee Meeting Minutes of June 28, 2021

Motion: Mr. Cady made a motion to approve the minutes from the June 28, 2021 Budget Committee Meeting, which was seconded by Mr. Hickey.

The motion was approved by a vote of 9-0, with 1 abstention.

Review Planned Schedule

Chairman Lamattina said he spoke with the Town Manager and should have more information in October on when sessions will be scheduled.

OTHER BUSINESS

Chairman Lamattina said Mr. Cady has asked that the Town give us their financial information and produce in writing a discussion of the reasons for variances. Mr. Cady said the School was very clear where they were over and under expended and why and COVID money coming in which impacts the Town would help us understand the Budget in better detail. He said he would love to see a report like the School's from the Town. Mr. Wolfe agreed and said at least an executive summary to have dialogue to go with the numbers and felt they should take the request for grant details to the Town Council to make sure that is approved.

Chairman Lamattina agreed and said generally a grant is for a specific thing and said with all that COVID money you would think it would affect our expenses somewhere. Mr. Cady agreed and said they needed

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transparency. Mr. Carpenter said it cannot be budgeted because you do not know you are going to get it, but in retrospect you could certainly provide the detail of what you got and what it is for.

Chairman Lamattina asked Mr. Cady to work on a note to Steve about an executive summary or what the Committee would like to see accompany the expenses and revenues, and he would work on the grant issue. He said they will review and approve the documents as a group at the next meeting and send out. He said Mr. Matozzi has resigned and there is an opening on the Budget Committee. Vice-Chair LaBranche suggested Mr. Tappen review Right to Know at their next meeting.

Motion: Mr. Swanson made a motion to accept the resignation of Mr. Matozzi from the Budget Committee, which was seconded by Vice-Chair LaBranche.

The motion was approved by a vote of 10-0.

Vice-Chair LaBranche asked the Committee if it would be possible to move up the meeting time; Budget Committee members agreed to change the meeting time from 7:00 pm to 6:30 pm.

NEXT MEETING: September 27, 2021

ADJOURNMENT

Vice-Chair LaBranche made a motion to adjourn the meeting which was seconded by Mr. Cady.

All members were in favor and Chairman Lamattina adjourned the meeting at 7:41 pm.

Respectfully submitted,

Patricia Denmark, Recording Secretary