

## Budget Committee DRAFT Minutes May 20, 2013

TOWN OF NEWMARKET, NEW HAMPSHIRE  
MAY 20, 2013 7:00 P.M.  
TOWN COUNCIL CHAMBERS

### MEMBERS PRESENT:

Chair Ellen Snyder, Vice Chair Amy Thompson, Dana Glennon, Drew Kiefaber, Russ Simon, William "Blue" Foster, David Foltz, Michael Lang, Town Council Rep Larry Pickering, School Board Rep Cliff Chase

### EXCUSED:

Judy Ryan

Chair Ellen Snyder called the meeting to order at 7:00 p.m. followed by the Pledge of Allegiance.

### DISCUSSION OF APRIL 29TH BUDGET COMMITTEE VOTE TO FILL VACANCY

The Committee had voted 5 – 4 at the April 29, 2013 meeting to elect Michael Lang to fill the one year vacancy on the Budget Committee with a term to expire in March, 2014, when there will be an election to fill the 2 years remaining in the term. Mr. Lang had been sworn in the following week by the Town Clerk. In the meantime, Chair Snyder had received a phone call from Vice Chair Thompson and an email from Mr. Glennon, both Committee members, expressing concerns about the process of the vote and some of the comments made by Committee members. As she felt the concerns were substantive, she emailed questions about the vote to the Local Government Center. She had received an email from Rose-Anne Kwaks, who had received 4 votes for the vacancy, and she included her letter with the questions. The questions, Ms Kwaks' letter and the answers from the Local Government Center had been included in the Committee's packet of information.

Chair Snyder summarized the 4 questions she had sent: 1. did the Committee follow proper procedure by having a rather informal vote by the raising of hands; 2. was there evidence of age discrimination in some of the comments made by Committee members; 3. are there any criteria or qualifications by which people should be selected for a vacancy on the Budget Committee; 4. based on the answers to the first 3 questions, were there any concerns with the vote and should the vote stand. Prior to sending the questions, Chair Snyder, along with some others, had received a letter from Ms. Kwaks alleging age discrimination in some of the comments made by members. The letter was included with the questions Chair Snyder sent to the Local Government Center.

Chair Snyder summarized the answers she had received from the Local Government Center: 1. the procedure for the vote was fine as there are no guidelines for a vote other than a simple majority; 2. taking the discussion as a whole, age was not the only or deciding factor in the vote, rather the emphasis was on giving someone with a fresh voice an opportunity versus someone with experience; 3. the only criteria or qualification for the Budget Committee is that the person be a resident of the town; 4. based on the above answers, there would be no reason to change or redo the vote. They commented a little bit on the letter from Ms. Kwaks, recognizing that there was a division within the Committee as to preferences, but the letter itself did not totally reflect the discussion of April 29th. They added that there were opportunities for someone to become involved in the process, such as attending meetings and participating in the deliberative sessions and town vote. She added that this was a one year appointment, and the remaining two years of the term would be filled by a candidate at the March, 2014 election.

The floor was opened up for discussion and further comment. Vice Chair Thompson distributed to Committee members a letter she had written explaining her views on the matter and goals for the Committee going forward. She said the letter did not necessarily have to be read into the minutes. Mr. Simon wondered if anyone who had made comments at the April 29th meeting regardless of LGC wanted to speak. He said he didn't know if this had any impact that they might want

to explain or share. He said not on the LGC answers, but on the discussion of the candidates. Chair Snyder said that what she had taken away from the meeting agreed with the LGC responses. There was a group that opted for giving someone a new opportunity over someone with experience. She felt it was a fair and open process although some comments could have been better said and the process could have been better carried out, but that was true of many of the processes they had. She thanked Ms. Kwaks for her time on the Committee and for applying, and welcomed Mr. Lang to the Committee.

Mr. Glennon, saying this was no reflection on Mr. Lang, said his original concerns were procedural, and that basically the Budget Committee has no procedures. He had thought the Committee, like the Council and other boards, followed Roberts Rules of Order. He said what bothered him about LGC's responses, in light of his experience with attorneys, was that the responses reflected the way the questions were asked. He said it was clear to him from watching the broadcast, that there was evidence of age discrimination. He agreed that Ms. Kwaks had given a lot to the town, and felt that filling the position should be based on qualifications which she had. Mr. Lang acknowledged Ms. Kwaks' 15+ years of experience, but asked how someone was to gain experience if not given a chance. He noted that 2 new members without experience had been voted to the Committee in the general election over Ms. Kwaks, which indicated public sentiment. He said he did not think the comments made at the April 29th meeting showed age discrimination. He noted there were comments to him about how young he was, but he did not feel these were intended as a slam to Ms. Kwaks. He felt she was reading too much into the comments and was paraphrasing the comments made by Mr. Foster, Mr. Kiefaber, Mr. Foltz and Mr. Chase rather than including the entire comments. He said it was an honor to be on the Committee and he hoped Ms. Kwaks continued to be involved with the town. However, he felt she did not hold herself appropriately with the letter that was sent, and he felt that there was no age discrimination.

Mr. Simon said he had been and still was disturbed about some of the comments that were made about the candidates. He said that he continued to be disappointed that rather than trying to bring the town and Committee together on common goals and priorities, there still are events which maintain or continue to widen the divide in the community. He said another concern he had was that a small group of people can still significantly change or counteract the wishes of such a large group of voters. As far as legal opinions, he said they were just that, opinions, and they weren't necessarily correct. He said other attorneys might not agree with an opinion, and that usually resulted in an issue being decided in court. He said regardless of the potential contributions to the Committee, to which he welcomed Mr. Lang, he felt the town had lost someone with experience in the laws and with the Committee, and she would be missed. As there were no further comments, Chair Snyder thanked everyone for contributing in the process and voicing their opinions as she felt it was important that they go through the process.

#### SCHOOL DISTRICT EXPENSES AND REVENUES UPDATE, Dr. Hayes and Christine Blouin:

School Business Administrator Christine Blouin gave an overview of the updated information, stating that the forms were in a new format. The FY2013 health insurance chart began on the left with a column for type of position, next, a column for the percentage the community contributes toward insurance, and then a column for the type of plan or buyback per individual. The 2 left columns were totaled on the right, including the number of individuals per category of district contribution amounts, and within each category, the number of buy backs. She said the buyback incentive would be changing with the new teachers' contract which would also affect administrators. The amount would change for a single plan from \$1,000 to \$1,500, and would be \$2,000 for a 2-person plan and \$3,000 for a family plan. She said the district would be saving \$38,000 next year with the program. The 85% or 89% district contribution to health care is based in part on hiring date. Paraprofessional employees, who are all full time, have a 50% district contribution for between 0 – 5 years of service. After the completion of the 5th year, the contribution is 85%, and after 10 years there is another tier. (There was an explanatory key to the chart sent before this information, and it will be resent to the Committee members.) Ms. Blouin said that buyouts for paraprofessionals were common because the percentage of insurance deduction to salary was high, and many had insurance elsewhere. The buyout amount for paraprofessionals and other personnel is \$500 and that amount will not change in July. They are not covered by a union contract but by individual contracts and the Classified Employee Handbook.

Page 2 listed employees, such as secretaries and some custodial staff, who only work during the school year, and special classified personnel who are tutors. Next listed were teachers, of whom 41 are eligible for a district contribution of 85% and 72 for a contribution of 89%. Of the 41, there are 6 who opt to buy out, and of the 72, there are 17 who take the buyout. Page 4 listed a group of year round employees comprised of some custodial staff and secretaries. The bottom of page 4 summarized percentages paid and buybacks for the district. Of the 200 district employees, 74 take the buyout, and Ms. Blouin hoped to have an increase in that number next year. She said the buyback additional savings of \$38,000 was against what the district was currently paying out per plan for teachers and administrators. Ms. Blouin gave an example of the savings. She said if they had 10 employees who took the buyback and received \$1,000 each for a total of \$10,000, and she was to implement the new step compensation, she would have to figure out what the district would be

paying depending on the plan each had and figure out the savings against the plan not being taken. She said she had 3 people who took the buyback for a family plan, so the savings was almost \$60,000, but she had to take the one at \$1,000 and deduct that from the \$3,000 for a savings of \$2,000 because she has to offset the premiums with the buyout. Ms. Blouin said that if she was \$1,000 for a family plan, she would be paying \$3,000.

Mr. Simon asked if the insurance premium was \$30,000 and the buyout was \$3,000, why the savings wouldn't be \$27,000. Ms. Blouin said that typically in the future this would be true. Mr. Simon thought that with 74 people the savings should be larger than \$38,000. Ms. Blouin said that of the 74 people, only 41 were eligible for the percentage increase, because the others were paraprofessionals. Mr. Kiefaber clarified with Ms. Blouin that she was working from the current year's base, not a zero base, and that there were 74 people who opted for the buyback in the current fiscal year. This would be an incremental savings. It is expected that the savings in the next fiscal year would be larger. The price differential for additional people taking the buyback and the increased reward for taking the buyback would be \$38,000.

Chair Snyder said that one of the reasons the Committee wanted to see these figures was that many had discussed a goal of having more parity in what school and town employees paid toward their insurance premiums. . All but 2 of the town employees pay 20% of health insurance, and those 2 pay 10%. Ms. Thompson asked if the paraprofessionals who were paying 15% of health care premiums could pay 20%. Ms. Blouin said it was possible, and Ms. Thompson said she realized the savings might be negligible as the bulk of paraprofessionals had opted for the buyout. Ms. Blouin said she had to analyze raising the paraprofessional rate in view of the new affordable health care act which takes effect in January, 2014 to determine the breakeven point with annual penalties that could be imposed on the district. Under the act, a \$3,000 penalty could be imposed on full time (30 hours per week) employees whose health insurance costs for a single plan ( only, at this time) exceed 9.5% of household income. This would most directly affect classified employees and also affects the town's employees. The employee would have to go to the exchange and fill out a 27 page form to qualify, and if they qualify, the district would be assessed the penalty. She said there would be about 23 people in the district who would be affected by this, and an analysis had shown that it would be less expensive for the district to pay the penalty. . She had budgeted \$60,000 in anticipation of having to pay penalties, but if a person opts to have no insurance, that person would have to pay the penalty. Those opting for the buyback have to show proof of insurance to the district also. She said Mr. Glennon had referred to something she called the Cadillac penalty which set the threshold at \$25,000, but that would not go into effect until 2018, but she said it kept being pushed further back.

Ms. Blouin next presented the revenue report for the General Fund titled "Account Summary" and dated for the current period ending 5/31/2013, however the date at the bottom of the page showed when she had run the report. For the revenue report, she did not expect any changes before the end of the month. However, the expenditure report, dated the same way, showed what had been spent or encumbered as of May 14th, and the figures would change by the end of the month. The revenue report and the expenditure report had like column headings for accounts within the General Fund: original total budget, current total budget indicating any adjustments that had been made, activity for the month's period of, activity for the fiscal year, encumbrances, variances, either favorable or unfavorable and the percentage remaining of the total budget. The column titled "Variance Favorable (Unfavorable) in the revenue report indicated a credit for expected revenues expressed in negative numbers, such as the -\$693,042.08 the district will receive from property taxes, and she has to show expenditures against revenues. She said the report showed the district would be receiving 100% of the revenues she projected plus or minus a little bit more. Ms. Thompson asked if outstanding receivables could be shown as encumbrances. Ms. Blouin said this was accounting software based on credits and debits, but she could encumber the revenues although it would add extra steps to the accounting process. Mr. Simon thought if expected revenues were placed in the encumbrances column rather than the variance column it would indicate that they need not worry about those figures as shortfalls.

The Group Summary report showing expenditures was a synopsis of the full 25 page report. Ms. Blouin said that if any members wanted to see the entire report she would be happy to email it to them. The Special Education account showed an encumbered amount of \$194,165.55 and an unfavorable variance of \$83,489.79. This was due to unexpected circumstances within the department and was part of the reason that she imposed a budget freeze. There had not been any activity in the account during the month, and she said she did not think there would be any additional encumbrances before the end of the fiscal year. However, the Special Education Director said there was a possibility of 2 more placements for the following year. Special Education is very fluid and placements can come at any time during the year. Council Rep Pickering asked what the current contribution percentage rate from the Federal Government was to Special Education and Ms. Blouin said she would get the rate to him. She thought IDEA was \$291,000 and only had the dollar amount, but not the percentage rate. The revenue report the Committee had received included the general fund operating budget, but not grant funds, but she said she could get that information. Mr. Simon said it would be helpful to see the grant funds to know what expenses were being offset by those funds, and Ms. Blouin said she could do that. Chair Snyder asked what other funds there were and if she could include them also. Ms. Blouin said she would re-run the report, including the grants and trust funds, and send it to Chair Snyder for distribution.

Ms. Thompson said it helped to read across the report to understand variances and the total building under SAU/District in section 1 showed a favorable variance of \$183,425 even though Special Education was in the red. Ms. Blouin emphasized that the report only included data through 5/14, and this shortened version of expenses did not show salaries and benefits, and they are part of the \$184K. Ms. Thompson said the report still showed a positive variance at this time, which is a projection of year end. She asked, when looking at the bottom line and not getting into any up or down adjustments that would be made, would they still be in the black for this section. Ms. Blouin said no, as she was waiting for a new part of the software to roll out so that she could encumber salaries and benefits which would give a much more accurate picture. She said if she could add these, the total variance would probably be in the red at this time. She was told she would have the software to include payroll by year's end. She said they don't close the year on June 30th as they still have outstanding liabilities, encumbrances and accruals. In part, because of the new software, she felt she would be closing out the year by mid-August and have a clear picture of year end.

Ms. Blouin lastly covered her 5 year forecast for the operating budget only that she had done in March. She began with a list of assumptions which are required for projections, but stated that the teachers contract had not been approved by the voters when she prepared the report. She had to assume that the contract would pass and show the ripple effect. Page 2 showed a 5-year projection of insurance costs for the new plan that will take effect on July 1st, compared to the present plan, adding to each an estimated 5% increase per year. The next 2 pages concerned the NH Retirement system. The state no longer pays a share of retirement, and the district's new rates for FY14 and FY15 represent a 25% increase over the previous rate. The next rate will be set for FY16 and FY17. To Mr. Simon's questions she said the projection was based on the district still having the same buildings and the reverse side of the insurance savings would be mostly offset by the increase in teacher salaries. The next page showed a tax rate comparison for all parts of the assessment both in the past and for a future projection. The final page was an executive summary of the operating budget beginning with the current FY13 budget and tax rate and projecting them through FY 18. The FY14 proposed budget represented the actual operating budget that had been voted in March. The projection was based on the assumptions listed on the first page, but did not include NH retirement beyond FY15. She also kept all revenues constant, because they were difficult to predict. She had just received the sequester amount for IDEA and it was about 5.2% lower. Ms. Blouin had included actual salary increases for teachers through FY16, and 1% per year after that as there will be a new contract. Ms. Thompson said these reports were much more helpful and standardized than past reports. Ms. Blouin said by late summer, she should have an analysis of the new contract.

Chair Snyder said the Committee had spoken about forecasting for the town and school together which would include capital expense projections, and asked if the district knew when it would be able to firm up its options. Dr. Hayes said he was continuing discussions with Oyster River, and hoped to have a final proposal on a tuition agreement in order to prepare financials on tuition or building a new school in time to schedule a special school district meeting in late October or early November. He said at this time he did not know the additional transportation costs for tuitioning that were outside any agreement. He said they also said they had to decide what to do with the existing school, and he was working with the Board for direction. He thought they were still on track for fall.

#### DISCUSSION: BUDGET LAW TRAINING WORKSHOP:

Chair Snyder had contacted LGC about municipal budget law training. LGC holds its all day training session in September, but will make on-demand presentations of 2 – 3 hours in a municipality for a flat fee of \$475. There would be an advantage in their coming to Newmarket as the town was rather unique in having a Budget Committee that dealt with both the town and school parts of the budget. Dr. Hayes will contact the NH Administrators Association and School Board Association to see if they would be able to present the school side of the budget. It was hoped that school and town presentations could be coordinated for the same day. After discussion, it was decided to try to coordinate this for a Monday in July, preferably the 24th in place of the Committee's regular meeting. Payment was also discussed as the Committee does not have its own funds, but Chair Snyder said the Town Administrator thought he could find the funds. Chair Snyder said she would email the Chairman of the School Board and the Town Council as well as the Superintendent of Schools and the Town Administrator to see who else might want to attend. Chair Snyder said they might discuss a forum on budget forecasts under new business.

#### APPROVAL OF THE APRIL 29, 2013 MINUTES:

Mr. Glennon moved to approve the April 29, 2013 minutes as submitted. Mr. Kiefaber seconded. Mr. Simon said the minutes did not take into account the issues that the Committee had to deal with concerning the LGC letter and Ms. Kwaks letter. Those letters and the issues occurred after the April 29th meeting and are a part of the minutes of this, the May 20, 2013 meeting. Ms. Thompson asked that the spelling of "Lane" be corrected to Lang. The vote was taken to

approve the minutes as amended: 9-0-1, with Mr. Lang abstaining as he had not been sworn in at the time of the meeting.

#### NEW BUSINESS:

Mr. Glennon said he had a copy of Town Council meeting procedure rules and asked that a discussion of these procedures be added to the Committee's agenda in the near future with the intent of adopting some of them. School Board Rep Chase announced that since the School Board Chairman had resigned from the Board, there was a vacancy on the School Board, and they were looking for interested citizens to apply for the appointment before the June 5th deadline. Chair Snyder said that Town Administrator Fournier had sent out the April expense and revenue report and included a summary at the Committee's request. She asked that any questions be directed through her, and if necessary, she would ask him to attend a Budget Committee meeting. Mr. Simon said there was a recap for expenses in the report and asked that there also be a recap for revenues.

Council Rep Pickering said that historically the Budget Committee did not meet in the summer, and asked if the Committee could take one month off this summer before it enters full budget deliberations. The Committee was trying to schedule training in July, so the consensus was that the meeting be suspended in June. The Committee decided to put this to a vote. Mr. Glennon moved to suspend the June, 2013 meeting for a recess. Council Rep Pickering seconded. Ms. Thompson suggested a friendly amendment to suspend the June meeting to the next meeting being either July 22nd or July 29th for either a meeting or a budget training workshop pending the LGC schedule. Motion carried unanimously, 10 – 0.

#### ADJOURNMENT:

Mr. Glennon moved to adjourn. Mr. Simon seconded. Motion carried unanimously. Meeting adjourned at 8:28 p.m.

Respectfully submitted,

Ellen Adlington, Recording Secretary