**TOWN OF NEWMARKET, NEW HAMPSHIRE**

**BUDGET COMMITTEE**

**DECEMBER 17, 2013**

MEMBERS PRESENT:

Chair Ellen Snyder, Vice Chair Amy Thompson, Drew Kiefaber, Russ Simon, William “Blue” Foster, David Foltz, Michael Lang (arriving at 6:35), Town Council Rep Larry Pickering, School Board Rep Cliff Chase

EXCUSED: Judy Ryan, Dana Glennon

ALSO PRESENT: Town Administrator Steve Fournier, Interim Finance Director Matt Angell

Chair Snyder called the meeting to order at 6:30 p.m., followed by the Pledge of Allegiance. She thanked Ms. Thompson for chairing the meetings in her absence. She announced that Ms. Ryan and Mr. Glennon were excused from the meeting.

Ms. Thompson moved to move the approval of minutes to the end of the meeting. Mr. Simon seconded. Motion carried unanimously, 8 – 0.

**TOWN BUDGET**

**Old Business, Capital Reserves**

Capital reserve balances will be updated monthly on the town’s web site. Trust accounts held by the Trustees of Trust Funds are not reported with capital reserve accounts. The Trustees publish an annual report, which Mr. Angell said he could make available to the Committee. The police vehicle account had been funded in FY2014, and a new cruiser was purchased the previous year. (Mr. Lang arrived at this point.) There were 3 types of funding represented in the capital reserve overview: funding from the budget process, municipal transportation funding and water and sewer funds created by the Town Council. Dispatch funding was through taxation. The Downtown TIF amount was funds set aside to pay for debt service for the bond. The $800K remaining in the Downtown TIF was estimated to be sufficient to cover the remaining balance on the bond without raising additional funds through taxation. The town is not allowed to pay this debt early because of the terms of the bond.

**Water and Sewer,** Sean Greig (pages 61 – 64)

Both accounts are funded through rate payers not taxes. The proposed budget for the water department is $829,062 for a 2.3% decrease from the FY2014 budget. A portion, 20%, of the Town Administrator’s salary is evenly divided between water and sewer. The funding for rerouting of the water and sewer mains under Route 108 would not come from town funds, but from the ratepayers. Funds had been set aside to enlarge the water main. Sewer had a proposed budget of $947,896, or a .64% decrease from the FY2014 budget. There were no further questions.

**Recreation & Recreation Revolving Fund**, Jim Hilton (pages 57- 59)

The Town Council had approved a revolving fund for programming paid into through participants. Surplus funds remain in the revolving fund and may be used to support programs that are not entirely self-sufficient. The revolving fund is kept separate from the general fund, and fees from programs do not show in the revenue part of the budget as they do not offset the general fund. All administrative costs and senior center costs were in the general fund budget. The general fund part of the budget showed a zero percent increase over the previous year, as there was no like budget for comparison, and, except for merit increases, was exactly what had been spent in the previous year. Mr. Hilton felt that after a year, the revolving fund might be able to absorb additional expenses. The general fund would not be a fall-back for the revolving fund, but adjustments would have to be made in the revolving fund to compensate for any reduced revenues. The department will continue to have a scholarship program for summer camp and will extend the scholarship program to other activities. There will continue to be some free programs that will have to be subsidized through sponsorships or other programs.

Mr. Hilton explained that fees for programs are collected and placed in the revolving fund before programs begin, and costs/salaries necessary to run programs are taken from the account. The goal was to provide services at no cost to the taxpayer. For FY2015, $191K was placed in the revolving fund, and in the previous year, the department had taken in $197K. There was an increase in equipment purchase over what had actually been spent when adding together the 2 amounts in the general and revolving fund budgets, and Mr. Hilton explained that some equipment did not make money, such as for parks or offices, and was included in the general fund. Equipment in the revolving fund would be for purchases that would make earning money possible. There was a question as to the need for more funding over actual expenditures, and what additional equipment purchases were planned. Mr. Hilton said the extra $2,000 was to replace benches, fences and some things that had not needed replacement in the last 2 years. The field lights had 17 years left on a 20 year warranty, and the poles had an expected life of 50 years. The lights had originally been purchased through a CIP, and there was a suggestion that a certain amount should be put aside annually to replace them when the time came.

 There were 2 recreation CIP accounts, and the lights had been paid through the facility account. The community recreation CIP was more for cultural activities, and was set up when the Pines was sold. Only interest from the fund can be used if another organization provides matching funds. Mr. Angell will look into whether this is or should be a trust fund. Most towns have separate general and revolving funds for recreation, and it has been shown to be successful. It was not expected that all administrative costs would be covered by program revenue. Previously, recreation had been one of the so-called special funds, but should have been a revolving fund which allowed for more accounting accuracy. Bus trips, for example, will be cancelled if there is not enough revenue up front to cover the costs. HUD holds the deed for the Community Center, and the town has a 99 year lease. The federal government paid for expenses for the building for 15 years, but the reimbursement had ended. However, the center was built to be energy efficient.

**Police,** Chief Cyr (page 39)

The budget amount was $1,023,382 for a 3.1% increase over the previous year. In the previous year funds for union salaries had come from a warrant article, but were now in the proposed budget for FY2015. The police had 2 Capital reserve accounts, both of which were tax-generated: one for police vehicles and one for dispatch/ fire equipment. An account funded through special detail work was not a capital reserve account, but a revolving fund. Those requiring special detail work pay into the fund for salaries, benefits and costs of using a cruiser, and the policemen are paid through the revolving fund. Chief Cyr said there had been enough in the special detail fund to cover the recent purchase of a cruiser. As there now was a need to replace another cruiser, he would be recommending to the Council that the funds for the second vehicle come from police vehicle capital reserves, which had a balance of $167,917. Mr. Angell was asked to make a list of all the trust funds and revolving funds in the town, in addition to the capital reserve accounts.

Town Administrator Fournier clarified that a CIP was a plan, and a capital reserve was an account set up to prepare for larger expenses. He said that the police detail fund was not really a revolving fund, but , under state law, was a special revenue fund, and could only be used for certain purposes. Mr. Angell said that the general fund does not include all monies. He said there were 3 pots of money: that from taxation, money held by the Trustees of Trust Funds, such as trusts and capital reserves, and money held by the Library Trustees. All this information will be prepared for the Committee. Page 23 of the budget, Summary of All Funds, showed a line for revenues from special revenue funds, which was comprised of funds for solid waste and recreation, which did not come from taxes. The Ambulance Fund was not included in this as its funds were earmarked for special purposes and did not go into the general fund. Mr. Angell said that he prepares a monthly budget report, including expenses and revenues for all accounts and funds, and posts it on the web site. Mr. Angell monitors receivables for the police detail fund monthly and said the majority pay within 60 days. Chief Cyr said that although the budget would be tight, he was comfortable with the budget amount being proposed, but was somewhat concerned with gasoline. He did not foresee any change in service.

**Planning**, Town Planner Diane Hardy (page 34)

The budget total was $128,153 or 6.69% higher than the FY14 amount. The proposed amount included $10,000 under contracted services to update the Master Plan. The Planning Board intended to update the Vision Statement and the Future Land Use sections of the Master Plan, which is the legal basis for zoning ordinances and, as a policy document, provides direction for future growth in the town. Under State RSA the town is required to have a current Master Plan, and the state recommends that the plan be updated every 5 to 10 years. There had been a comprehensive overhaul of the Plan in 2001, and the Planning Board had been attempting to update one chapter per year. The Board wanted to work with Strafford Regional Planning Commission to update 2 chapters in the coming year. The Commission had access to the NH Coastal Alliance and indicated that $10,000 in matching funds could be available to the town’s contribution of $10,000. Ms. Hardy said they would like to establish a community visioning process to get public input to support the basis for the Master Plan. Strafford Regional had indicated it could contribute another $5,000 to be used for this process and for administrative support and coordination expenses. If matching/grant funds did not come through, the town would have to scale back the project, and the $10,000 expenditure on the town side would be a not-to-exceed amount. The Open Space and Conservation Plan are fairly current as are the Economic Development, Current Land Use and Water Resources sections. The Charter Commission has included a mandatory 10 year update of the Master Plan as part of its Charter revisions.

**Conservation Commission,** (page 35)

There was no increase from FY2014 to the bottom line of this budget at $1,941. The largest item in the budget was $1,000 for a recording secretary, which had previously been paid for through the Conservation Fund which receives its funds from the land use change tax, 50% of which goes to the town and 50% to the Conservation Commission. A penalty is imposed if a landowner decides to change the current use of open space land and develop all or part of land that had been taxed at a lower rate to encourage open space. With the slowdown in new construction, the tax penalty had provided little revenue. The purpose of the fund was to either provide stewardship for conservation land or to acquire additional properties. The Commission had requested that someone to take the minutes in the previous year, as it was the only board in town that paid for this out of its funds and because it was difficult for volunteers to meet the time requirements of the Right to Know law. Also, there was a question of whether it was appropriate to use conservation funds to pay for minutes. The Conservation Fund had a balance of about $208K, which was listed in the Special Revenue Funds. Mr. Kiefaber, as Chairman of the Conservation Commission, said they could always use more volunteers to help with the properties, build and maintain trails and advertise the existence and importance of these resources. When asked about revenue, he said that the Commission had an agreement with a local farmer to mow a field and keep the hay to feed his livestock. The town received an in-kind service because the property was being maintained as a field at no cost to the taxpayers. There was another field in town that the town mowed at its cost.

**Economic Development** (page 36)

The requested amount had been reduced from $2,000 to $1,000 largely because the Consultant’s findings had not all been presented, and it was unsure as to what would be needed. Town Administrator Fournier said that if further funding was needed, it would have to be found elsewhere in the budget. The cost of the consultant was higher than the amount stated in this budget, but funds had been found elsewhere to cover him.

**Debt Service** (page 37)

There was a significant reduction of 49.77% for debt service as the $136,000 payment for the DPW/Fire Station deficit had been set aside, and did not have to be raised annually. Also, the interest for the open space bond had decreased from $45,800 to $41,550. Town Administrator Fournier said for a town its size, Newmarket had little debt. The bonds for the Macallen Dam and wastewater treatment plant would be paid by ratepayers, and the bond payment for the downtown TIF did not have to be raised as it was paid for through the TIF. The open space bond had been taken out to purchase conservation land and there had been some grant money to help in the purchase. The bond would be paid off in approximately 2023. Mr. Angell will get the payment schedule for the Committee.

**Information Technology** (page 37)

IT, at $169,539, showed an increase of 3.11% over the FY14 approved budget amount. There was a major increase in software maintenance as fees had gone up and the town was adding services such as the new web site and town newsletter, both of which incurred subscription services. The town would be adding a subscription service for meeting agendas and minutes, all of which will have to be locked in PDF format. Town Administrator Fournier said that they were working on adding contact information for members of town boards on each board’s site. In the meantime, townspeople can contact the Town Administrator’s office to have their messages forwarded. Town Administrator Fournier cautioned about messages sent to all members of a board and said that under the right to know law, the messages should be forwarded to his office to have an official record.

**Grants** (page 52)

Grants were for town-related functions that the town did not administer, but provided funding. The grant to C.O.A.S.T. was to guarantee that bus service was provided to Newmarket. The town does not provide funds for the road race, but charges the race for police service, and was considering assessing a detail charge for the extra work provided by DPW.

**Social Service Grants** (page 53)

Town Administrator Fournier said that this had been the first year that applicants were required to fill out a detailed form. Child Advocacy failed to meet the deadline for submittal, and understood that it would not receive funds in FY2015. He said that he did not have the flexibility to deviate from the new policy, but could bring the issue to the Budget Committee which could decide to restore the grant to the budget. Child Advocacy, in the case of a crime, provides assistance and protection to children who may be involved. Meals on Wheels had not been in the previous year’s budget and had not been sent an application for the next year. Meals on Wheels was working on presenting a petition warrant article for some funds for one year if the Budget Committee did not recommend adding the group to the grant budget. Its request was received after the November 15th deadline for the Council to submit its budget to the Budget Committee. It the warrant article was passed overwhelmingly by the voters, Town Administrator Fournier said he would check the qualifications and recommend that the group be added to the budget the following year. Town Administrator Fournier said that they verified non-profit status, and had found the previous year that Seacoast Hospice had been sold to a for-profit group, so the town had discontinues providing further grants.

Town Administrator Fournier said that they were currently reviewing all non-taxable properties, and added that non-taxable and non-profit were 2 separate laws in NH. He said that they had decided that Great Bay Children’s Center did not comply with non-tax status, and the Center paid taxes. Lamprey Health, which had non-profit status, currently did not pay taxes, and it was estimated that the property tax would be approximately $70,000. In addition the town contributed $10,000 in a social service grant. It was asked if those receiving social service grants could hold on to the funds to build up an account. Town Administrator Fournier said this did not tend to happen as the grant money was pooled with other incoming funds. The town does not oversee the organizations.

**Finance** (page 27)

 Mr. Angell said the line item for an Assistant Chief was actually for an Administrative Assistant in the Fire Rescue budget, and the salary should be reduced from $15,600 to $3,000. Also, the Chief would be reduced from $3,000 to $2,000, the Captain from $2,000 to $1,500 and the Lieutenant from $1,500 to $1,000. Storm water management for $41,113 had to be removed from the Capital Reserves, as it would be a separate warrant article at town meeting to authorized creating the fund. Adding these reductions and subtracting them from the bottom line budget would reduce the total to $9,060,199 for a reduction of .96% in the Town Council proposed budget.

The finance budget, at $199,175, was 5.01% lower than the FY 2014 approved amount. Equipment maintenance was proposed at $2,600, a $2,000 increase to re-align the office and make it more efficient. The $2,000 proposed for advertising was a new line item for procurement as any RFPs would have to be advertised in the newspaper. Town Administrator Fournier said he was discussing continuing with a part-time Finance Director. He said they had unsuccessfully advertised for a part-time person, and currently he was pursuing other options.

**Code Enforcement** (page 30)

The overall increase to $66,723 was 4.40% above the FY2014 approved amount, largely from the merit pay increase for the part-time Code Enforcement Officer. Town Administrator Fournier said the department had completely turned around.

**Welfare** (page 31)

The budget, at $64,720, was .81% over the FY 2014 approved amount, which reflected the merit pool increase for the Welfare Director. The previous year there were significant decreases in this budget as the funds were not being expended. Although the Welfare Director had expressed some concerns, it was felt that the amount would be sufficient. In accordance with law, the town has to fund welfare expenses for those who qualify, and if there was an increase in qualified people, the town would have to find the funds elsewhere.

**Assessor** (page 32)

Assessor services were contracted, and the budget, at $66,723, showed a decrease of 8.88% from the FY2014 approved amount. The town had entered into another 2-year agreement with MRI which provides an assessor to be in the office once a week. The part-time Assessor Clerk’s salary also comes from this budget. MRI would also be assisting with the statistical revaluation in the coming year. Since this is a contracted service, technically Town Administrator Fournier is the department head. The contracted service had been moved from salaries to an expense, as there were no related benefits or payments to FICA, etc.

**Legal** (page 33)

The budget amount of $75,000 was for the Town Attorney, who now worked on a set, annual retainer basis, plus some legal expenses which he would not be able to handle. There would be some additional expenses in the current year because of some on-going law cases, so it was expected that legal expenses would be over budget. In FY2015, all cases, with few exceptions, would go through the Town Attorney whose retainer was $72,000. The town had signed a 3 year agreement with an annual bump-up clause, but it would be reviewed annually to determine if a retainer was the more cost-effective option.

**Revenues** (page 23)

There was a projected decrease in revenues of .76% to $4,869,586. The town received a payment from the state on a declining basis for one of the sewer loans. The other change would be in use of fund balance, as the Council had proposed using $404,460 in FY2015 representing a decrease from the $461,000 used in FY2014. Even if there are further reductions in the operating budget, the Council cannot vote at the current time to change the amount of fund balance to be used. When the budget is reviewed in fall tax setting time, the Council could decide, in case of emergency expenditures, to reduce the amount available to reduce taxes. Estimated revenues are for the time period ending on June 2015, and Mr. Angell said revenues are reviewed just before the tax rate is set. He said he intended to raise the estimated amounts slightly for motor vehicle registrations and state money. At some point the Budget Committee would vote to accept the $55,000 in reductions cited earlier in the meeting, and this would bring the tax rate down to $6.00. Town Administrator Fournier cautioned that although the rate would be $6.00, the assessments were at 103%. Based on the statistical revaluation, the town would lose 3% of its value which would affect the tax rate.

One of the main reasons for projecting use of fund balance was to prevent the peaks and valleys in the tax rate. However, as budgeting became tighter there would be less in excess fund balance to put toward the tax rate unless there was revenue from an unexpected source. The recreation revolving fund was included in special revenue funds, but Mr. Angell said that in the future it might be pulled out of the operating budget. There was no expense and offsetting revenue amount shown that would correspond to the Rec. Revolving amount of $191K. Mr. Angell said he agreed that this was not obvious in the budget, but he had the details that showed the offsets. Town Administrator Fournier said they should have revenues listed along with expenses for all departments. Mr. Angell will give the details of the special revenues to the Committee.

There was a $55,000 reduction in expenditures and an estimated small increase in motor vehicle registrations and this was related to a memo from Mr. Angell as to what it actually cost to run the town. This was in turn related to fund balance and the amount that seemed to be acquired as surplus every year, raised and then returned to the taxpayers. The Budget Committee can vote to reduce expenditures, and although it can vote to increase revenues, the latter figure can be overturned as final revenue estimates are not determined until October. The increase revenue in the previous year had included funds from the sale of town property, the closing of the Parking Fund, some reductions in healthcare expenses, vacancies in staff and a March freeze in the operating budget. The Town Administrator had prepared a chart on use of fund balance to reduce taxes, and he acknowledged that some on the Committee would rather see tighter initial budgeting. He said that whatever amount is set for revenues, DRA is the ultimate arbiter of the estimate.

 The state recommends that between 5% and 10% of total net allocations for the town, school and county be retained in fund balance, and GFOA recommends between 8% and 17%. Newmarket’s policy is between 5% and 10%, and the Council, if necessary, will budget an amount to reach the 5%. Anything above 10% can be used for one-time capital projects or used to reduce the tax rate. Currently, there is somewhat over 10% in fund balance which would drop to about 8% upon passage of the budget. Although there had been discussion on the Council level of reducing the fund balance amount closer to the 5%, it had decided to retain 8% in the coming year. In years that revenues do not come in as expected, fund balance could go below the 5%, which had happened in Newmarket in the past. Mr. Angell explained that fund balance could be equated to cash in the bank, and when it seemed that tax bills would be late and due in January, he had to estimate how much cash would be needed to cover expenses. He added that 8% was a safe number at the moment. The town was collecting taxes for itself, the school and the county, but only had control over the town’s portion of the budget. Town Administrator Fournier said that if fund balance was capped, it could lead to spiking in the town’s share of the tax rate. The town was attempting to have a flat tax rate.

Town Administrator Fournier said that fund balance was not only for reducing taxes, but also to offset one-time capital expenditures, which would also prevent spikes in the rate. He said they were attempting to work toward using fund balance in a more consistent and efficient way. In the course of the discussion, there was mention that fund balance also could be looked at as an emergency fund. A healthy fund balance was also considered when the town or school was looking for bonding, as the town was the entity ultimately making the payments. Fund balance had always existed, but different Councils had set different parameters on the past.

**Meeting Schedules**

December 31, 2013: final date to post the town budget amount

January 8, 2014: Council vote on warrant articles

January 13, 2014: Town Public Hearing, 7:00 p.m., Town Hall Auditorium

January 14, 2014: Last date to submit petition warrant articles

January 20, 2014: Budget Committee review and vote on recommending town warrants and vote on final budget amount, 7:00 p.m.

January 21, 2014: final date to hold School budget Public Hearing; Budget Committee final vote on budget

February 8, 2014: Deliberative Session for School and Town

SCHOOL

January 21, 2014: final date for School budget Public Hearing, and last date to hold a bond Public Hearing

January 27, 2014: last date to post warrant articles for the school and the town

Superintendent of Schools Jim Hayes will be contacted to determine if the school would be prepared for a Public Hearing on January 14th. School and Town petition warrant articles are due on January 14th, other warrant articles by January 27th.

Town Administrator Fournier said that in the future the warrant articles would be presented at the same time as the operating budget.

**Vote on Recommending a $55,000 Reduction in the Town Budget**

Mr. Kiefaber moved to recommend a town budget of $9,060,199 and forward the amount to a Public Hearing on January 13, 2014. Mr. Lang seconded. Motion carried unanimously, 9 – 0.

**Meeting Minutes**

Ms. Thompson moved to approve the minutes of the December 9, 2013 meeting, and Mr. Foster seconded.

Discussion: Ms. Thompson, under Roads and Sidewalks, corrected the spelling of the name to Acieri, and under Cemeteries corrected the spelling to Cheswell, which Mr. Pickering felt should be Cheswill. Also under Cemeteries, the amount of $1 should read $1,000. Mr. Simon wanted the work School added on page 1 to the tax increase comparison. He wanted the last paragraph on page 2 to indicate that the money would go back to the town’s fund balance, and on page 3 a better indication that a position used to be a part-time position. On the top of page 5, a date had been incorrectly typed as 2017, rather than 2015. He suggested some clarification of the provider of electricity and delivery charges for street lighting. The Committee discussed this. Macallen Dam has been spelled with or without a capital C in various publications.

Motion to approve the minutes of December 9, 2013 as amended carried 8 – 0 – 1, with Ms. Snyder abstaining as she had been excused from the meeting.

Ms. Thompson moved to approve the minutes of the December 11, 2013 meeting, and Mr. Simon seconded.

Discussion: Ms. Thompson said that on page 5, the statement that said Epping paid Newmarket approximately $10,000 for football, should be corrected to read that Newmarket paid Epping.

Motion to approve the minutes as amended passed 8 – 0 – 1, with Ms. Snyder abstaining as she had been excused from the meeting.

**Adjournment**

Mr. Kiefaber moved to adjourn and Mr. Chase seconded. Motion carried unanimously, and the meeting adjourned at 9: 15.

Respectfully submitted,

Ellen Adlington, Recording Secretary