**TOWN OF NEWMARKET, NEW HAMPSHIRE**

**BUDGET COMMITTEE**

**PUBLIC HEARINGS**

**JANUARY 13, 2014**

MEMBERS PRESENT: Chair Ellen Snyder, Vice Chair Amy Thompson, Judy Ryan, Dana Glennon, Drew Kiefaber, Russ Simon, William “Blue” Foster, Michael Lang, Town Council Rep Larry Pickering, School Board Rep Cliff Chase

EXCUSED: David Foltz

Chair Snyder opened the meeting at 7:00 p.m. followed by the Pledge of Allegiance. She announced that Mr. Foltz was excused from the meeting. She outlined procedures for the Public Hearings. Town Administrator Fournier would make a presentation on the proposed Town operating budget and Warrant Articles after which the hearing would be opened for public comment. Upon its closing, there would be a 5 minute recess. Superintendent of Schools Hayes would make a presentation on the proposed School operating budget and Warrant Articles after which the hearing would be opened for public comment. She asked that speakers save their comments on the Bond for a new school for the School Board’s Public Hearing on January 21st. She stated that the Budget Committee would meet on Wednesday, January 15th to vote on the Town and School budgets and relevant Warrant Articles and the Deliberative Session would be held on Saturday, February 8th.

**TOWN BUDGET**

Town Administrator Fournier presented the proposed Town budget as amended by the Budget Committee. His PowerPoint presentation was to be posted on the Town’s web site. He began with the FY2014 tax rate of $24.46, of which 61% or $15.02 is Local School; 10% or $2.35 is State School; 4% or $1.02 is County and 25% or $6.07 is Town. A 10-year tax comparison showed a fairly level Town budget with the exception of a spike in FY2012. A tax rate comparison with other towns in the area showed that Newmarket was close to the middle. Lower rates were shown for towns with higher assessed valuations. The Budget Committee was recommending a Town budget of $9,060,199 for a .96% or $87,636 reduction from the FY2014 budget. This was lower than the Town Administrator or Town Council proposed budgets. The total budget was broken down by fund, the largest of which would be the General Fund. Special and Revolving funds included the Library, the new Recreation Revolving Fund for programs, and Solid Waste. The Library is self-governed and receives an annual grant from the Town. Recreation programs would be subject to on-going review to determine if they were self-supporting and needed, and Solid Waste was partially funded through the sale of bags and partially through taxes. The Enterprise Funds for water and wastewater were funded by ratepayers. The breakdown by fund showed the General Fund at 70% of the total, the Water and Sewer budget was next largest at $176.6K and Special and Revolving Funds at 10% or $944K.

Overall increases in the proposed budget were for employee salaries through the merit pool; Human Resources, of which $55,536 was for FICA, $67,859 for health insurance and $7,493 for liability coverage; Legal fees of $7,500 from the change to a contracted annual charge; Planning for $10,000 to update the Master Plan; IT for $5,109 for equipment updates; Public Works Administration of $18,229, for the Director’s salary which had previously been paid through Water and Sewer; Roads for $28,000 to begin work on storm water management; salt for $5,000; Fire up for a total of $37,802 of which $16,000 was for Ambulance Billing which had an off-setting revenue, $15,000 for on-call stipends for volunteers during summer weekends and $5,000 for radio replacement; Capital Reserve contributions of $10,000 for Technology to begin saving for server replacement, $2,744 toward a new police cruiser, $3,000 for recreational facilities, $41,113 for storm water management, for which there was a Warrant Article, and $40,000 for Solid Waste to hold a town-wide cleanup in the Spring of FY2015.

Decreases in the proposed budget were in the Finance Department for $8,260 in salaries and $6,250 in audit fees. There was a reduction in the Town Clerk/Tax Collector’s budget for $7,806 because of a change in personnel and another reduction of $11,300 for codification. Human Resources showed a reduction of $36,903 in New Hampshire retirement based on personnel changes and a reduction for Workers Comp of $61,934 by changing to a fiscal year schedule which was a one-time savings. Assessing showed a decrease of $6,500 from changing to contracted services. The Town would be doing a statistical evaluation during the year as required by law. Debt service was reduced by $140,250 for the DPW/Fire Station, as the money was on hand and would not have to be raised annually. Town Administrator Fournier said the Revenue Budget was hard to predict as the budget process started in August of 2013 to estimate revenues for the end of FY2015. However, this part of the budget could be amended at fall tax setting time. The overall revenue budget of $4,869,586 was slightly lower than that for FY2014, with General Fund revenues estimated at $2,657,006. The difference between the 2 amounts would be raised through taxes. Special and Revolving Fund revenues were estimated at $435,622 and Water/Wastewater at $1,776,958. The Default Budget subtracts out one-time expenditures and adds in contractual obligations. . The Default Budget was set at $9,105,093, an increase of $44,894 over the proposed budget largely from changes in salaries and benefits for individuals who were no longer employees.

Town Administrator Fournier said there were 5 financial Warrant Articles, one of which was a Petition Warrant Article that had been presented that day. The first Warrant Article was for a $1,055,000 bond to replace the over 100 year old water main on Route 108. This would be paid by rate payers and would have no tax impact. Debt for water meters would be retired when payments for the bond would begin, which would reduce the impact on water rates. Warrant Article 2 would create a Compensated Absence Expendable Trust which would be funded at $29,500 based on the number of employees who could retire at this time. The money would come from Fund Balance and would have no impact on the tax rate. He added that the total liability for earned time would be over $200,000 if every employee left at the same time. Warrant Article 3 was to create a Storm Water Management Capital Reserve Fund and raise $41,113 to begin engineering studies on runoff going into the storm drains. This would have a tax impact of 6 cents. Warrant Article 4 would create a 300th Anniversary Celebration Expendable Trust Fund and put $2,000 from Fund Balance toward the event which would take place in 2027. There would be no impact on the tax rate. The Petition Warrant Article was to raise $5,326 for Meals on Wheels. This had been removed from the budget in a previous year and not re-instated. The request for funding had arrived after the budget had been sent to the Budget Committee. The request met the criterion for social service grants that they be for services that otherwise the town would have to provide. This would have less than a one cent impact on the tax rate.

Town Administrator Fournier stated that as of this time, he estimated the tax rate would be $6.05 for a 2 cent reduction from FY2014. The gross appropriation of $9,101.312, reduced by estimated revenues of $4,869,586, to which $100,000 would be added for overlay and $175,000 for veterans’ tax credits would bring the total net appropriation to be raised by taxes to $4,506,726. The net appropriation would be divided by the total town wide assessed valuation of $744,537,983 and then multiplied by 1,000 to determine the tax rate. He said that for an average-priced home of $250,000, this would result in a $17.50 annual decrease in taxes on the town side.

TOWN PUBLIC HEARING

Chair Snyder opened the Public Hearing at 7:28 p.m. and requested that speakers limit their initial comments to 5 minutes.

Rose Anne Kwaks of Wadley Falls Road thanked the Town Council, Town Administrator, business office and Budget Committee for doing such a good job in keeping the taxes down. Alicia Buono of Harvest Way also expressed thanks and asked about the increases in IT. Town Administrator Fournier said that the Capital Reserve contribution would be to begin saving for future server replacement and the $5,000 was to replace some desk top computers that were at least 4 – 5 years old, some of which operated on XP. Al Zink of Smith Garrison Road said the Town had done a great job on the budget, but he felt it important that the Town and School look toward future expenses and long-term forecasting in addition to focusing on the current year. He noted that the road and highway budgets had been undercut over the last 5 years, and inefficiencies in the Town Hall building had not been addressed. He asked the Budget Committee and Town Administrator for help in identifying and understanding future issues, giving as examples the tax implications from NH Retirement and the Affordable Care Act. Toni Weinstein of Ash Swamp Road asked if the $200,000 increase over the last 2 years to replace the water main was from construction costs or if the Town had lost out on some funding. Town Administrator Fournier said that this was due mostly to construct cost increases, but in applying for bonding through the State Revolving Fund they had to request authority for the highest amount they felt they might need. He said that they would try to borrow less and would be looking into possible grants. He said they wanted to replace the water main not only because of its age, but also increase its size to 16” and increase capacity. The Public Hearing for the bond would be held on Wednesday, February 5th. Town Administrator Fournier responded to Mr. Zink’s comments and said that they had reduced part-time employees to 30 hours per week in anticipation of the Affordable Care Act and also the tax implications from any fines when the Cadillac Plan takes effect.

As there were no further comments, Chair Snyder closed the Public Hearing at 7:30 p.m. Mr. Foster asked Town Administrator Fournier to explain the buy-down of the tax rate. Town Administrator Fournier said that buying down the tax rate was the same as withdrawing from Fund Balance to offset the tax rate. Town Council had adopted a policy to retain between 5% and 10% of Newmarket’s total appropriations in Fund Balance. If Fund Balance is above the recommended amount, the Council has the authority to withdraw funds to offset tax increases which had usually been done in the fall. The Council had used $461,000 to buy down the tax rate during the current year, which left Fund Balance at 8%. He said they were now budgeting as revenue the amount they would be using to buy down taxes and they would be using $404,000 to buy down the spring tax increase. To Mr. Glennon’s question, Town Administrator Fournier said there were 18 Warrant Articles from the Charter Commission in addition to the 5 he had presented, but they were non-financial. All the Warrant Articles were posted on the Town’s web site. Chair Snyder declared a 5 minute break at 7:43.

**SCHOOL BUDGET**

Chair Snyder re-opened the meeting at 7:48.

Superintendent of Schools Dr. Jim Hayes presented the School budget and Warrant Articles other than that for construction of a new Jr/Sr High School. Article 2 requested approval of the FY2015 operating budget total of $16,647,363 of which $15,861,963 was for the General Fund operating budget, $335,400 for the Food Service Fund, which is self-supporting, and $450,000 for Federal Funds which were an estimate. The default budget was set at $16,438,782. The initial operating budget proposed to the School Board had shown a 7.76% increase over the FY2014 budget which had been reduced to a 7.13% increase representing 49 cents per $1,000 on the tax rate. Of the total increases, Special Education (SPED) represented 4.16% and other costs such as increases for contracted, classified and individually contracted salaries and associated entitlements, severance pay, health insurance, supplies, replacement of 8 – 10 year old computers and the request for an additional first grade teacher represented 2.97%. The District had used funds from the Technology Trust fund for some equipment.

SPED expenditures are required by law, and the District had experienced a large increase in the number of SPED students in FY2014 resulting in the hiring of 7 additional paraprofessionals and additional, unbudgeted costs of nearly $250,000. Dr. Hayes said that he expected that much of the balance of $244,778 in the SPED Trust Fund would be depleted during the present fiscal year. Costs from all the accounts involving SPED were budgeted at $615,665 for students currently in the District and for new students who they knew would enter the District in the coming year. Dental insurance and NH Retirement costs remained the same as for the current year. FY2015 revenues for the budget were projected at a total of $1,103,900, and with the projected Adequate Aid Grant of $2.254.034 and the local portion of the State School Tax of $1,719,407, the total to be raised by local taxes would be $11,570,022, resulting in a 49 cent tax impact increase to $17.86 from FY2014’s rate of $17.37. Dr. Hayes said he did not expect there would be fund balance (surplus) remaining at the end of FY2014 to reduce taxes.

Article 3 requested a contribution of $500,000 to the Fire and Life Safety Dual Purpose Fund which had a current balance of $613,395. This fund could be used to correct fire and safety issues or towards the construction of a new school. Dr. Hayes said that the remaining work to be done on the Jr/Sr High building would cost about $1.85M. He said that some of the work would be done in the coming summer for $1.1M with the remainder to be completed the following summer. He stated that this Warrant Article had a relationship to the Bond Article to build a new school, and if that Bond passed, the funds in this account along with other monies could go toward construction costs to reduce tax impact in the early years of the Bond.

Article 4 asked the town to adopt the new State law, RSA32: 11, which allowed School Districts to retain from Unassigned Fund Balance no more than 2.5% of the prior year’s assessment to reduce taxes or as a revenue for emergencies. While the School Board would decide annually how much money would be placed in the account, emergency expenditures would have to be approved by both the local School Board and Budget Committee as well as the State Commissioner of Education. This Article would have no tax impact. Articles 5 and 6 requested 25% of the FY2013 Unassigned Fund Balance, up to $50,000, be put in each of 2 Trust Funds: the Repair and Maintenance of School Facilities Expendable Trust and the Special Education Capital Reserve Fund. This Article would have no tax impact. The total tax impact from the 3 financial Warrant Articles would be $2.91 of which the School Construction Bond represented $1.75, the General Operating Budget 49 cents and the contribution to Fire and Life Safety, 67 cents.

Article 1 was to raise and appropriate the entire amount of $45,125,263 for the construction of a new Jr/Sr High and authorize the issuance of a bond or notes not to exceed that amount. The first year’s payment of $1,303,619 would be for 6 months only. Dr. Hayes said that although he had received estimated payment amounts from the Municipal Bond Bank, the terms and rates would not be known until the bond was sold in the coming summer. He listed sources of funds that could be used to offset the costs of the bond in the early years: $613,395 from the Dual Purpose Fund with an additional $500,000 if Warrant Article 3 was approved; $71,176 for the Expanding School Facilities Fund and $85,781 from Impact Fees for a total of $1,270,352. He referred to the document titled “Frequently Asked Question” about solutions to the Jr/Sr High facility issues, and encouraged people to ask questions that were not covered. He noted that the Warrant Articles presented were drafts and had not yet been approved by the School Board. He said, as written, they were based on a consensus and he did not expect them to change. Final action by the School Board would be taken soon.

**PUBLIC HEARING**

Chair Snyder said that it was the responsibility of the Budget Committee to put forth and recommend the Operating Budgets and Warrant Articles of both the Town and the School to the Deliberative Session. She said the Budget Committee would vote to recommend or not recommend financial Warrant Articles. She asked that people not comment on the School Bond during this meeting, but save their comments until the Public Hearing on January 21st. She said the Budget Committee would vote on the Bond after its Public Hearing. She opened the Public Hearing at 8:07 and requested that speakers limit themselves to 5 minutes each for their initial comments.

Toni Weinstein of Ash Swamp Road noted that while the Town included a proposed Town Council budget and a proposed Budget Committee amount, the School budget was that of the School Board and did not include a proposed figure from the Committee. She said it was not clear what the Budget Committee was considering for cuts to the School budget and added that, as a resident, she would not support any further cuts. Chair Snyder answered that while the Budget Committee can make changes before the Public Hearing, the only change it had made was one suggested by the Town Administrator. She said that the Committee would meet after the Public hearing on Wednesday, January15th to discuss and make determinations on both operating budgets. Russ Simon of Cushing Road spoke as a private citizen and not as a member of the Budget Committee. He said that the increase of 49 cents shown in the School’s operating budget was actually $1.70 as the 49 cent increase included nearly $900,000 in FY2014 Warrant Articles while the FY2015 proposed operating budget did not include any Warrant Article amounts. Trish Simon of Cushing Road asked Dr. Hayes about long-term plans for facility issues in the Elementary School, when they would be addressed and when or if they could expect a Warrant Article. Dr. Hayes replied that the School Board had discussed maintenance for the Elementary School, and felt a few years ago that it could use some of the approximately $133,000 in a repair and maintenance fund for facility issues at the Elementary School. The Board discussed replacing windows, and there had been a proposal in the past year to do this over a 3 year period, but this had not been done. In the current year there had been problems with the heating system controls. This had been presented to the School Board with a cost that could exceed $100,000, but they were investigating a solution. He said that the intention was to address the problem using repair and maintenance funds and any District funds that would be available, rather than placing this on the Warrant this year. He said there was a long-term plan for the Elementary School, but there was nothing on this Warrant that addressed it.

Al Zink of Smith Garrison Road said that the previous discussion pointed to how they had to change as a School and a Town. He believed that there was $17,000,000 spoken of in the School’s Master Plan for required updates to the Elementary School. He said this was not dissimilar to a plan for spending on roadways and planning for the Affordable Health Care Act and New Hampshire Retirement. He called for the Town and School to run on a more long-term basis, and a need for the senior managers including boards to be strategic planners, rather than just focusing on day-to-day operations. He said the town needed a forecast from both the Town Administrator and Superintendent of Schools as to what the Town would need and what the tax rate would be in 5 years. He suggested that they dispense with the arguments of costs and focus on future needs. Alicia Buono of Harvest Way agreed with Mr. Zink and said that part of the current problem was that there was no forward thinking 10 – 15 years previously when larger houses were being built and younger families moved in. She said she would not support any further cuts to the operating budget, especially in staff as 15.5 positions had been cut in the past 3 years. She also would not support cuts in the Technology budget as the students were using 8 – 10 year old computers. Nicole Benson of Mockingbird Lane also agreed with Mr. Zink. She added that plans did exist, but they had to search for them. She stated she would not support any cuts to the School operating budget.

Ed Portyrata of Exeter Road said that as a Senior citizen he would like to know the exact tax rate for the School if everything was included, as he would have to make a decision about whether he would have to sell his house and move. He said one paper showed an increase of $1.75, but felt it could be $5.00 or $6.00. Mike Hall of Wiggin Drive thanked the Committee for trying to save money, but said that at some point this could hurt things and people. He encouraged long-term and logical thinking and savings for future needs as costs go up the longer a project is delayed. He said he would not support any cuts to the School budget. Rose Anne Kwaks of Wadleigh Falls Road voiced the same concern as Mr. Portyrata and stated the $1.75 impact for the School Construction Bond was only for a partial year as the real tax impact would basically be $4.27 in the second year and for the remaining 25 years to follow. She felt the School Board should vote to include the $4.27 in the Warrant Article rather than the lower figure to have all the information out in the open. She said this would be in addition to the costs for the MacIntosh Well, wastewater treatment facility, the Macallen Dam, water tower and $17,000,000 in updates to the Elementary School. She felt that these would result in a $10 to $15 tax increase in the next 3 – 4 years which she and many others could not afford. She said that others had said, “No more cuts”, but she said, “No more increases.”She referred to an article she had seen in the “Valley News” about Claremont’s school remodeling costs of $12.5M and asked that they look into why the remodeling costs for the Jr/Sr High were estimated to be between $41M and $42M. Chair Snyder said that the School Board would hold a Public Hearing on the Bond on January 21st, and comments on the Construction Bond could best be made to them as the decision makers.

Karen Polzinetti said that Claremont’s situation was different and not comparable as it was doing far fewer renovations than Newmarket and already had appropriate classroom sizes. She said she did not support further cuts to the budget as there had been cuts to staff and programs and further cuts would not allow them to move forward and grow as a school and a town. She recognized that there were many emotions associated with this issue, but encouraged them to step back and look at what they needed to do rather than continuing to play catch-up. Tom Swiatek of Lamprey Street said that children were a moral responsibility and had to be educated and he would be happy to pay whatever it cost to build a new school. He said the budget for building the school had been cut to the bare bones. He said the building would be an investment in the future and would bring change that he was not afraid of. He said this was an emotional issue that caused a split in the community, but the split was necessary for change to happen. He said that if people had to decide whether to move out of town because they couldn’t afford the taxes that was similar to parents having to decide whether they should move out of town because of the school. He said the issue of the school had been discussed for some time, and Oyster River had voted not to accept Newmarket. He said they had a responsibility to the children. Ed Portyrata of Exeter Road said he might have to move out of town because he was not being given the real dollar amounts, and said they needed real facts. He said they had lost an opportunity to send the students to another school or join a Core and there were more opportunities in a large school. He felt the cost of the school would be higher than $45M and again asked for real costs.

Meg Louney of Channing Way said she appreciated the time that all the Boards put in. She said she would not support any further reductions in the budget, but would support the new school. She said she understood the Budget Committee’s responsibility to be prudent in the spending of funds, but that prudency should not be short sighted. She said that part of the meaning of being prudent was also providing for the future. She asked them to be the Budget Committee that they needed and not kick the can down the road. Amy Burns of Ash Swamp Road and Jessica Keyes of Wadleigh Falls Road both stated they would not support any cuts to the budget. Alynna Lyon of Gaunet Drive said she would not support any cuts to the operating budget, and recognized that there was a split in the community. She said that supporting the School would support the entire community. She said that usually when there is an increase in education funding, more people are attracted to a community which expands the tax base. She felt the new school would be a win/win for the community. April Henry of Hilton Drive agreed that she would not support any cuts to the operating budget, as did Dan Smith of Ladyslipper Drive. He added that there was consideration for a new sub-division on the golf course which would bring additional students. He felt that one of the reasons that Oyster River had decided not to include Newmarket was because of the size of its student population. He said he liked the size of Newmarket’s School population for his children as it was neither too small nor too large.

Blue Foster of Lang’s Lane, speaking as a citizen although a member of the Budget Committee, asked if the School Board could prepare a handout for the Deliberative Session on SPED costs versus SPED grant monies over the past 5 years. He said more responsibility had been shifted to the towns for mandated programs but revenues were not increasing. The 4.1% increase in the budget from SPED costs was not offset by equal revenues. Amy Hill of Ladyslipper Drive said she would not support any further cuts as she felt they would hurt the School. She felt that everyone could agree that they wouldn’t find a solution that would make everyone happy. Kim Hock of Hilton Drive said she would not support any further cuts to the operating budget as education was important to the community and April Harding of Ash Swamp Road agreed. State Representative Michael Cahill of Ash Swamp Road said he was working toward ending the State Moratorium on School Building Aid as well as looking for other means of funding. He said he would not support any further cuts to the operating budget. Richard Dube of Riverbend Road stated that he would not support cuts to the budget, and Josh Weinstein of Ash Swamp Road agreed, adding that any money spent on either the Town or the School was an investment in the community. He acknowledged the hard work that the Committee, among others, was doing on this difficult issue. He said that after his children were no longer in school, he would continue his support and pay taxes as previous generations had done. Anne Ellis of Wiggin Drive encouraged the Budget Committee to support the operating budget without any cuts, adding that the many of the increases were required as those for SPED.

Ed Portyrata of Exeter Road said he wanted to know what the exact costs would be for the budget and for building the school, and Chair Snyder said that would be a question for the School Board Public Hearing. He said that no one would give him the figures, but they had to realize that there were Senior Citizens in town who would be affected. When there was some laughter in the audience, he said that he had fought to protect freedom of speech and he was entitled to express his opinion. Mr. Portyrata then left the room. Dr. Hayes said that no one was trying to disguise that this was a very costly venture. He said the construction bond would have 3 different scenarios: a 1, 2 or 3 year payback period with rates of 4.5%, 5% or 5.5% respectively. He said the figures provided were estimates from the Bond Bank at this point, and the definite figures would not be known until summer. On his handout, he had included the range of a possible tax impact in the 3rd year of $4.62, $4.27 or $4.13 depending on terms for a level debt bond. A level debt payment bond was thought preferable for Newmarket as it would keep payments the same over the terms of the bond beginning in the 3rd year. The other option would keep principle payments the same over the life of the bond, but the interest rate, much higher in the first few years, would vary. He further stated that since the Warrant Article was for FY2015, only the amount of the tax impact for that year, ($1.75) could legally be included in the Warrant.

Jason Mansfield of Ladyslipper Drive said he would not support further cuts to the budget and encouraged people to read “Frequently Asked Questions”. Amy Nicholson of North Main Street said that there had been many staff cuts in the past and she would not support any further budget cuts. John Nolan of Lamprey Street said he would not support budget cuts, citing the age of the existing computers in the classrooms and adding that a school was a feather in the cap of any town. Toni Weinstein of Ash Swamp Road referred to State Representative Cahill’s statements and said that funding for schools was a problem all over the State. She encouraged people to contact their State Representatives, Senators, and other State officials and put pressure on them to stop cutting CAT Aid and to lift the moratorium on aid for school construction in the future. Amanda Rei of Raymond Lane said that she was an educator and knew how difficult it was on the school culture if there were staff cuts and no sense of community support. She said that one of the reasons she and her husband had moved to Newmarket 2 years ago was because of the plans for a new school on the web-site. After moving, she heard that these same conversations had been going on for 10 – 15 years in Newmarket, and felt it was time to make a decision. She said in looking at the operating budget, they were looking at staff, programs and learning and she would not support any further cuts.

As there were no further comments, Chair Snyder closed the Public Hearing at 8:54 p.m., and thanked the community for their comments and participation. She reminded everyone about the School Bond Public Hearing on January 21st. Ms. Ryan moved to adjourn and Mr. Chase seconded. Motion carried unanimously and the meeting adjourned at 8:55 p.m.

Respectfully submitted,

Ellen Adlington, Recording Secretary