

**TOWN OF NEWMARKET, NEW HAMPSHIRE
TOWN COUNCIL, BUDGET REVIEW SESSION II**

OCTOBER 28, 2015 6:30 PM

PRESENT: Council Chairman Phil Nazzaro, Council Vice Chairman Gary Levy, Councilor Dale Pike, Councilor Amy Thompson, Councilor Toni Weinstein, Councilor Amy Burns, Councilor Larry Pickering

ALSO PRESENT: Town Administrator Steve Fournier, Interim Finance Director Matt Angell, Water & Wastewater Superintendent Sean Greig

AGENDA

Chairman Nazzaro welcomed everyone to the Budget Workshop meeting of October 28, 2015 and called the meeting to order at 6:32 pm.

TOWN OF NEWMARKET PROPOSED OPERATING BUDGET FOR FISCAL YEAR ENDING JUNE 30, 2017

WATER & SEWER

Water: Water & Wastewater Superintendent Sean Greig stated that overall the Water budget was down 2.97%, or approximately \$28,000 lower, mainly due to the retirement of the loan for the water meters. He said there were some small decreases in Uniforms, Chemicals, and Contracted Services, and there was an increase in electricity based on the rates for the past year. He explained that the increase in System Maintenance reflected the replacement of valves and other things not currently working in the system. Interim Finance Director Matt Angell said he had also made several changes which included moving money from Part-Time Salaries to Fulltime Salaries and increasing Health Insurance due to an employee plan change from single to family. Town Administrator Fournier added that part of the salary for the Town Clerk/Tax Collector was also moved to this line and that the actual percentage decrease was 3.35% and not the 2.97% budgeted. Vice Chair Levy asked what the new bottom-line budgeted amount would be and Town Administrator Fournier replied \$934,313.

Councilor Thompson said she was aware that Electricity rates were up, but she felt the increase to \$53,000 was a huge jump. Water & Wastewater Superintendent Greig explained that a full year of running the MacIntosh Well was included there, with new buildings for the Blending Facility and the Pump House. Vice Chair Levy questioned the fluctuations in Health Insurance costs, and Interim Finance Director Angell replied they were due to employee plan changes as well as health insurance increases across the board. Interim Finance Director Angell explained that the figure of \$31,753 for Health Insurance in FY16 was based on 15% of actuals, and that the adjustment was a result of learning the guaranteed maximum rate after the fact and from the employees switching plans in the system. Vice Chair Levy said he also felt that Workers Compensation, Uniforms, and Supplies should be kept commensurate with actuals. He said he assumed the increases in Advertising were due to the bids they were putting out, and Water & Wastewater Superintendent Greig confirmed that the increase was for bidding the North Main Street project twice. Vice Chair Levy questioned budgeted versus actuals for Chemicals in FY15, and Water & Wastewater Superintendent Greig said he was able to get better pricing

but that they had also not purchased full chemicals last year because of a hole found in one of their caustic tanks. Vice Chair Levy also questioned the amount budgeted versus the actuals for Vehicle Maintenance, and said he recommended \$10,000 be cut from the total Water budget.

Councilor Thompson questioned the large increase in the Postage line item, which was due to the change from quarterly billing to monthly billing. Town Administrator Fournier said that the larger quarterly bills were not being paid, and that the Town was now getting more money flowing in on a regular basis as people were more willing to pay a smaller bill. He said they did not have actual figures yet as the monthly billing program had only been going on for 3 or 4 months, but that there was an outstanding balance of approximately \$200,000 owed to the Town and this was an attempt to collect that back. Chairman Nazzaro said he tended to agree they were paying more money than was smart. Councilor Thompson felt that regardless of where the money came out, she wanted to see at least a \$7,700 reduction somewhere in the Water budget and said she agreed with Vice Chair Levy's recommendation for a \$10,000 reduction. Councilor Weinstein recommended re-assessing the monthly billing at the 6-month mark, but said it would need to be budgeted for at this time. Councilor Pike said that if they thought receivables were coming in better, there were other things that could be done to reduce postage such as electronic billing. Interim Finance Director Angell said that currently the system would not allow them to do that, but that they were looking at a new system. Councilor Pike said that procedurally he questioned the recommendation for a \$10,000 cut to the Water budget, and felt they needed a consensus of the Councilors on the issue. Vice Chair Levy felt they should question spending \$6,000 to get money faster, and Chairman Nazzaro said he did not disagree and felt that part of the actual increase in cost was due to the labor going into monthly versus quarterly billing. He said the Council could not vote to change the policy during a Workshop meeting, and he felt they also needed to wait until 6 months were up to see the actual results of the change to monthly billing. He said they now needed to consider whether to reduce this budget by \$5,000-\$10,000 as some Councilors suggested. Vice Chair Levy recommended cutting the fuel line item, and Water & Wastewater Superintendent Greig felt that fuel for vehicles could be cut by \$1,000-\$1,500. Chairman Nazzaro polled the Councilors and all agreed to reduce the Water budget in the fuel line item by \$1,500.

Sewer: Water & Wastewater Superintendent Greig stated that the Sewer budget was up 8.44%, with the big thing being the need to run two (2) Wastewater Facilities at the same time in the 2017 budget year. Councilor Pike asked for an explanation, and Water & Wastewater Superintendent Greig said he had looked at the schedule from the contractors as to when things would be coming online, and had estimated what the electrical costs would be and the increases in fuel and chemicals. He explained that it would take a few months to get the new plant going and that they would need to maintain and run their current plant as well before switching over, as they needed to continue to meet the requirements of the EPA permit. Councilor Pike asked how long the two plants would be overlapped, and Water & Wastewater Superintendent Greig said that Wright-Pierce estimated some parts would take 4 months and others a little longer. Councilor Thompson questioned Fulltime Salaries and Overtime, and Water & Wastewater Superintendent Greig said that a fulltime person was being added said shift adjustments for overtime were difficult due to the number of sewer callouts. Town Administrator Fournier said that Sewer calls were usually for fixing and replacing broken equipment which still needed to be maintained on a daily basis. Councilor Thompson said she still felt that Postage, Gasoline, and Electricity could come down. Water & Wastewater Superintendent Greig again said that the increases they were seeing were

what was needed to run additional equipment for electricity, and that the actual cost of electricity to run the new plant for one (1) year would be much larger.

Interim Finance Director Angell said that he had made a few more adjustments by moving some salaries from part-time to fulltime, and that there was a \$16,390 drop in Health Insurance to reflect more accurate insurance numbers. Town Administrator Fournier said the bottom line would be a budget of \$1,777,968 or an increase of 6.95%. Councilor Pike said they had identified some reductions at the prior Budget Workshop meeting, but that it had gotten harder and harder to identify actuals considerably under-budget as time went on, and he thought that at some point it would be hard to see if there was much of a reduction to be had.

TOWN COUNCIL

Town Administrator Fournier stated that the budget was flat and basically covered salaries, and that Part-Time Salaries was the recording secretary. He said Training was required by all Councilors annually by the Town Charter. Chairman Nazzaro asked that they have a conversation about the exact meaning of training outside of the workshop. Town Administrator Fournier explained that the Contingency Grants line item had been eliminated.

TOWN ADMINISTRATOR

Town Administrator Fournier said there was a 6.86% increase in this budget mainly in Dues/Subscriptions which included membership with the Municipal Association. He explained that Training/Staff Development was for conferences he attended with his administrative assistant. He said he tried to reflect actuals in General Supplies and that Advertising had remained flat. He explained that Communications covered telephone service, Equipment Maintenance was for the copiers and the postage machine, and Printing/Publishing was for Town reports and other items. Councilor Weinstein asked why advertising was so high in FY 15, and Town Administrator Fournier replied that it was due to the Public Hearing and for postings for vacancies. Vice Chair Levy questioned the increase for Equipment/Maintenance from \$5,000-\$8,344 and Town Administrator Fournier replied that was for their service agreements with the copier and the postal machine. Interim Finance Director Angell said they had replaced the antiquated postal machine on July 1st of this year and this was not reflected in the actuals.

FINANCE

Interim Finance Director Angell said that they were proposing a 5.41% increase with the total Finance budget at \$211,844. He said Elected Officials covered the Trustees of the Trust Funds, and that Fulltime Salaries was \$172,544 with Part-Time Salaries at \$5,000. He said that the \$5,000 in General Supplies basically covered forms, and that they were anticipating some increased costs as they switched over to the new system. He explained that Communications Services covered telephone costs and that Budget Committee Expenses had increased to \$600 due to the cost of the new budget books. He said the Dues/Subscriptions line item was zeroed out, and Advertising for this year had been increased to cover requests for proposals but that costs were not being used as anticipated and they would be dropping it down. He said Equipment Maintenance was the copier lease and for any repairs needed for the high-speed printers, and that Audit was contracted services. Councilor Thompson asked for an explanation as to why they had not had a part-time salary in FY15 and FY16, and Interim Finance Director Angell said it

was due to the Treasurer going from being appointed to being elected. Chairman Nazzaro asked why Fulltime Salaries was lower in 2015, and Interim Finance Director Angell replied that he had cut down his hours to lower the budget for snow removal. Town Administrator Fournier also explained that they had cut projects that could have been done and postponed things in order to reduce contracted time. Vice Chair Levy asked what was postponed and Town Administrator Fournier said research on the software system, internal control studies, and the Salary Survey which was done this year versus last year. Vice Chair Levy and Chairman Nazzaro questioned the increase in Fulltime Salaries, and Interim Finance Director Angell said the additional \$5,000 going into 2017 was to balance out what the Finance Director's salary would be if the Town tried to hire one. Town Administrator Fournier requested dropping Fulltime Salaries by \$5,000 to \$167,544. Chairman Nazzaro polled the Councilors with regard to the reduction and all were in agreement.

HUMAN RESOURCES

Interim Finance Director Angell said they were looking at an 11.06% increase with the total projected budget at \$1,529,573. He said that FICA and Medicare were based on all salaries and overtime projected to be budgeted. He explained Employee Testing covered DOT drug testing and said they were also looking at the possibility of doing physicals for all fire fighters. He said Health Insurance was at \$600,164 and New Hampshire Retirement was a known number based on the rate times all known salaries for the year. He said the number for Disability Benefits was pretty constant and that Workers Compensation was an insurance policy from Primex, which was increasing at a rate higher than predicted the previous year. Vice Chair Levy asked if the Town was having a lot of issues, and Town Administrator Fournier said they were not but that there were issues in the entire pool they took part in, and that there was no longer any completion in the market. He said Primex was the only pool accepting customers, and that they were seeing the same situation in Property Liability and Health Insurance. He said in the 1980s insurance companies started looking at losses and decided to stop writing coverage for municipalities and the municipalities had gotten together to pool their money. He said it was not just a problem for New Hampshire but that they did get some credit for training.

Councilor Weinstein questioned actual expenses in the Merit Pool and asked if the \$50,000 for FY2015 had been used or not. Interim Finance Director Angell said the total was around \$47,000-\$48,000, and said that for last year he had not had time to provide a budget adjustment. Councilor Thompson said that between Merit Pool and Longevity it seemed like a double dip and assumed it was reflected in a salary somewhere. Interim Finance Director Angell explained that Longevity was based on the number of years an employee was serving the Town, and that Merit was based on the employee job performance, which might be a one-time payment or a salary adjustment. He said the actual expenditure would be reflected in the Salary line item but that he could not project to know where it would be going as it was literally based on an employee's reviews which had not yet been received. Town Administrator Fournier said the reviews would not be available until the end of the fiscal year, and said he had eliminated longevity for everyone hired after September 1, 2013 and the number would start dwindling. Chairman Nazzaro asked why it was going up instead, and Town Administrator Fournier explained that the people who can get it have been employed longer, and that the amount of the incentive increased the longer they were employed.

Vice Chair Levy asked why only \$480,701 was spent out of the \$518,565 budgeted for Health Care for FY15, and why they were proposing \$600,164 for FY17. Town Administrator Fournier explained that they conducted a census of the current benefit levels of employees and increased them by the percentage of rate increase, and that these were actual figures for what they had on hand now. Vice Chair Levy asked specifically what caused the \$70,000 difference in FY15 and Interim Finance Director Angell explained that it was due to employees coming on and off Health Insurance coverage. He said when he was building the budget it was based on actuals, and then it would be found out later that the insurance was dropped, and said that this year he had 3 employees jumping back on health insurance and one changing from a single to a family plan. Town Administrator Fournier clarified again that it was a census with the maximum increase of 6.5% to the plan the employee was currently signed up for. He said he also wanted to correct the \$600,164 for Health Insurance to \$585,734 with a total reduction of \$14,430.

CODE ENFORCEMENT

Town Administrator Fournier said the increase in the Telephone line item reflected actual expenditures. Vice Chair Levy asked for the rate per minute and Interim Finance Director Angell said the rate was 3 cents/minute for everything and the rate had not changed for the last 4 years.

WELFARE

Town Administrator Fournier that there was a 3.89% reduction in the Welfare budget. Councilor Weinstein said that she had seen a steady decrease in the amount budgeted for Town Welfare while at the same time the NCP was getting more requests for food-related projects and that Food Pantry requests were at an all-time high. She said she felt there was a bit of a disconnect here between what was happening in the Town and in those other areas. Town Administrator Fournier said he wanted to make sure people knew that Welfare was a very strict policy and that they had guidelines that they must follow, making sure everyone who applied for Welfare was qualified and had tried other services first. Vice Chair Levy said that actuals for FY14 were \$30,430, and they were \$34,092 in FY15 from a budget of almost \$65,000. He said he felt it had been fairly consistent and asked why they were increasing the amount by approximately \$11,000 for FY17. Town Administrator Fournier said that it had been \$113,200 in FY13 and they had cut it in half to \$64,000 and then reduced it again. Interim Finance Director Angell said that requests for heating assistance were not reflected in this estimate. Councilor Thompson said she was fine with the current budget of \$46,343 and said she would rather not see the \$5,000 cut out here. Councilor Pike said he felt that \$40,000 seemed adequate, though they would be at some risk of having to pull funds from somewhere else in the budget. Chairman Nazzaro polled the Councilors who were evenly divided over the \$5,000 reduction. He said that based on the fact that actuals had remained around \$30,000-\$35,000 he felt he would be comfortable voting for the \$5,000 reduction, and the total Welfare budget was reduced to \$41,343.

ASSESSOR

Town Administrator Fournier explained that the increase in Contracted Services was a contractual cost agreement with MRI and was a scheduled increase. Vice Chair Levy asked why the budget was going from \$63,900 to \$69,325 and Town Administrator Fournier replied that this was what was agreed to in the contract. Vice Chair Levy asked how had they saved money by contracting services out, and Town Administrator Fournier said with a fulltime person on staff the budget was approximately \$100,000. He said that the number provided in the contract was their maximum and that they did not bill for hours

they were not here. Vice Chair Levy asked what the \$20,000 jump was based on and Interim Finance Director Angell said they dropped a part-time employee and MRI had taken on the extra work.

LEGAL

Town Administrator Fournier said that the budget for Legal was for the contract with the Town Attorney. Vice Chair Levy asked why the actuals had gone up for FY15, and Town Administrator Fournier replied that it was for some outside work. He said they were spending less money for better service, and that the budget had been approximately \$200,000 when he first arrived.

PLANNING

Town Administrator Fournier explained that Contracted Services for the Master Plan was now in an expendable trust fund under Capital Reserves in order to be able to build up that account.

CONSERVATION COMMISSION

Town Administrator Fournier explained that the increase for the Conservation Commission was due to hiring a recording secretary under Part-Time Salaries.

ECONOMIC DEVELOPMENT

Councilor Burns said she needed help understanding this budget as no description was provided, and she asked why the \$10,000 requested for FY17 was cut to \$2,500 and if they were sure this would not be exceeded, as they had budgeted \$1,000 in FY15 and spent \$15,360. Town Administrator Fournier explained that they had put \$1,000 in for FY15 just for consulting and at that time they had decided, with Town Council approval, to hire a consultant for developmental services. He said that he did not see a lot coming up for this year and that the current recommendation of the Economic Development Committee (EDC) was to make some zoning changes. Vice Chair Levy further explained that the Town Administrator had found the money in the budget during the first year of the committee for hiring a development consultant who had given them a good basis for where Newmarket stood. He said they had then hired a consultant to look at elderly housing who they worked with most of this year, and that they were now ready to do the Ordinance. Town Administrator Fournier said that the EDC representative to the Planning Board would address the issue at the next Planning Board meeting, asking for recommendations and wishes, and the Planning Board would review the recommendations and draw up the ordinance to reflect that. Town Administrator Fournier said there was no plan for the next step at this point, and Councilor Pike said he felt this could be discussed when they were reviewing efficiencies for the Town.

DEBT SERVICE

Town Administrator Fournier stated that Debt Service had already gone down to \$129,759. Interim Finance Director Angell explained that this was the Debt Service Principle for the Open-Space Bond of \$100,000 and the interest related to it.

GRANTS

Town Administrator Fournier stated that there was a reduction of 23.52% as he had eliminated the Festival Support and that there would be no Old Home Day due to lack of volunteers. Councilor Weinstein said she had spoken with someone at the Recreation Center and that one of the things

currently in the works was a Celebrate Newmarket event being planned for 2017, and that they were trying to get a committee together. Town Administrator Fournier pointed out that no funds would be needed for that project.

SOCIAL SERVICES GRANTS

Councilor Thompson questioned the \$10,000 for Lamprey Health Center, saying she felt the Town already supported them in the way of tax credits. Town Administrator Fournier stated that last year they had started taxing some of their properties for the first time, and had received approximately \$7,000 from the Elm Street parking lot and building.

CLOSING COMMENTS

Chairman Nazzaro asked what the tax rate would be with the \$137,981 in increases and Town Administrator Fournier stated that there would be a 1.44% increase of \$6.33 in the tax rate. Vice Chair Levy asked for a rough estimate of what the Fund Balance would be. Interim Finance Director Angell said they had \$1.9 million and would be using \$500,000 which would leave them with \$1.4 million, and that calculated at 5% this would equal \$1.3 million. Interim Finance Director Angell further explained that they were below the 8% for this year at approximately 7.9%. Town Administrator Fournier said that any under-expenditures or over-revenues in the budget would replenish that and bring it back up. Interim Finance Director Angell added that he was planning to budget revenues and expenditures tighter so there would be less of a fund balance available, and stated that this year they had received approximately \$400,000 additional in revenues.

Town Administrator Fournier said that procedurally the budget would be presented as a resolution at the next Town Council meeting, and that the rules would need to be suspended to vote on it that evening, as he needed to get the Town Budget to the Budget Committee by November 15, 2015.

NEXT MEETING

Chairman Nazzaro thanked the Councilors for their time over the last few days, and said the next meeting would be November 4th, with an Organizational Committee meeting starting at 6:00 pm. Vice Chair Levy asked to change the time to 6:15 pm and all agreed.

ADJOURNMENT

Vice Chair Levy made a motion to adjourn the meeting which was seconded by Councilor Thompson.

The meeting for the second Town Budget Review Session was adjourned at 8:24 pm.

Respectfully submitted,

Patricia Denmark, Recording Secretary