

**MINUTES OF MEETING
MUNICIPAL BUDGET COMMITTEE
January 25, 2010**

A meeting of the Municipal Budget Committee was called to order at 6:30 PM in the Meeting Room at the Conway Town Hall with the following members present: Chairman Pro Tem Dan Bacon, Bob Drinkhall, Doug Swett, Pat Libby, David Jensen, John Edgerton, Bill Masters, Shirley Renahan, David Sordi and Karen Umberger. Members excused from meeting: Jim LeFebvre, Raymond Shakir, Bill Aughton and Sheryl Kovalik. Members absent from meeting: Ben Kane. Also present: Earl Sires, Lucy Philbrick, Nancy Leavitt, Michael Valladares, Tara Thomas and Dorcas Deans.

Chairman Bacon asked John Edgerton to lead the members in the Pledge of Allegiance.

APPROVAL OF MINUTES

Bob Drinkhall moved, seconded by Doug Swett, to consider and accept the Minutes of January 6, 2010. In favor: 10; Opposed: 0; Abstain: 0.

Bob Drinkhall moved, seconded by Doug Swett, to consider and accept the Minutes of January 11, 2010, as amended. In favor: 9; Opposed: 0; Abstain: 1 - David Sordi.

Bob Drinkhall stated that at the top of page 20, first sentence the word "consensus" should be changed to "Census".

BIRCH HILL WATER PRECINCT

David Jensen gave the presentation on behalf of the Birch Hill Water Precinct. David stated the only reason Birch Hill has a Water District is because several years ago the private water company that owned the water system in Birch Hill was about to fail. The Board of Selectmen at that time recommended that the residents of Birch Hill form a District in the event that company did fail. As it turned out, after the District was formed, the water system was bought by a company which has done a tremendous job of managing our water system ever since. The District continues to exist pretty much in name only. Our budget has been exactly the same for the last several years. They do not raise or collect any taxes whatsoever, but they do keep the District in existence just in case something goes wrong. Since they have connected to the North Conway Water Precinct, they have very nice water, comes in a big pipe under the Saco River and they no longer have to worry about having water.

John Edgerton stated the budget is \$1.00 and David stated the total budget is \$4,726.00, most of which never gets expended; we have things in there if, for any reason, we needed to talk to a lawyer or in case we had to join any associations. John asked how is the money raised and David stated they don't; just before the system was bought, they actually collected taxes for one-half of one year. They have \$20,000.00+ in a CD that's earning far more money than what they are actually expending. They

have not collected a penny in taxes for the last 4 years. The chief function of the Precinct is him sitting on the Budget Committee.

Chairman Bacon thanked David Jensen for his presentation.

CENTER CONWAY FIRE DISTRICT

Nancy Leavitt, Treasury Clerk, gave the presentation on behalf of the Center Conway Fire District. Ms. Leavitt stated she had given what the 2009 budget was, the actual and proposed, and attached explanations for any increase or decrease.

Karen Umberger stated there are no Warrant Articles this year at all and Ms. Leavitt stated they are listed; the Capital Reserve now has to go in as a Warrant Article. They also have a Warrant Article for a generator and for the parking lot paving.

Chairman Bacon thanked Nancy Leavitt for coming in.

EAST CONWAY FIRE DISTRICT

Michael Valladares, Commissioner, gave the presentation on behalf of the East Conway Fire District. Mr. Valladares stated you are going to notice a large difference in 2009's budget. They were in a transition period between Fire Chiefs, not knowing in which direction the Fire Department was going, they didn't need the money because they weren't expending it. Under the direction of the new Fire Chief, they have long term goals and that's why the budget has jumped dramatically. Under Equipment Expense, PPE - turn out gear, 2 full sets which is \$4,700.00. An item like that always used to be paid for by fundraising; the Precinct has never bought any gear for the firemen, it has always been done through fundraisers. As generations change, the way they look at things change; the older generation used to get the community involved in fundraisers and, as you've noticed, as the years go on it seems to be the same people who do all the work. The younger generation, which has taken over now, their idea is let everybody chip in and pay through taxes; why should just a few do all the work to save it for everybody.

Chairman Bacon asked who was in charge; wouldn't the Chief give some direction as to fundraising for those 2 sets of gear. Mr. Valladares stated he did. Chairman stated so you are asking the taxpayers this year to pay for the gear and Mr. Valladares stated that was correct. Chairman stated did he not put enough emphasis on trying to get the community to do a charitable fundraising. Mr. Valladares stated he just explained it; there are two different ideas. Chairman asked if the new Chief was younger and Mr. Valladares stated yes. Chairman stated he has no motivation to follow through with fundraisers. Mr. Valladares stated he could see their point, there are two different ways to look at it; they have x number of hours to volunteer; they can volunteer the hours by being firemen, going to the extra training, doing all the practice or they can not do that and try to raise money for the Fire Department. There's only x number of hours to volunteer, compliments of the Federal Government and the State of New Hampshire. The regulations that they have to go through now compared to what it was 20 years ago takes up 50% of

the time that they donate now. This 50% of time that they had 20 years ago to go out and do fundraisers and stuff; now with the paperwork and red tape, that takes time; they treat every station as if you're the Manchester Airport, follow all the same regulations and have to do all the paperwork the same way and there are only x number of hours you can expect people to volunteer. Chairman stated having said that, with all the certifications and requirements put out by the State and Federal Governments however they mandate that, are there any programs allowing Precincts under a certain amount of funding to obtain Grants to buy their gear. Mr. Valladares state yes, at times there are programs out there where you can apply for Grants. They are in the same boat as the firemen, as Commissioners there are only so many hours; they don't have a full-time secretary, they don't have the advantage like the Town of Conway does to have the people who can jump quickly and fill the paperwork out for Grants. They are in the process of going for different Grants and hopefully they're success in their abilities to go after more Grants will be greatly enhanced. Chairman stated maybe the taxpayers need to put some pressure on the new younger crews to look to filling out those Grants and doing those fundraisers. Mr. Valladares stated they have the Grange Hall that is used for fundraising events; if the younger part of the community gets behind them, then yes you can, but the gear is getting to a point now where they need to replace two sets of them. Chairman asked how old the gear was and Mr. Valladares stated some of it they are not really sure because they are hand-me-downs and that is the problem; there are some 7 or 8 years old.

Karen Umberger stated you overspent your budget in 2009, budgeted \$38,000.00 and spent \$46,000.00; did you grow a money tree. Mr. Valladares stated they had some surplus from other years building up in the account, had some problems and needed some other things corrected, so they took the money; instead of having \$32,000.00 in there, have \$22,000.00 in there. They held off purchasing a few items until the new Fire Chief was in; didn't want to buy something and then find out they were going in a different direction.

Chairman Bacon thanked Michael Valladares for coming in.

Bob Drinkhall moved, seconded by John Edgerton, to send a letter to all Precincts stating if they are going to over expend their budget, they must follow the provisions of State law which require any over expenditure of their bottom line to be approved first by the Budget Committee and second by the DRA. In favor: 9; Opposed: 1 - Doug Swett; Abstain: 0.

John Edgerton asked when they exceed their budget, aren't they suppose to come back to the Budget Committee. A very small technical question because they had the money and they did it, but technically they should come back to the Budget Committee. Chairman Bacon asked if a letter should be sent stating that fact. Lucy Philbrick stated the DRA says Fire Precincts can keep surplus; that was how Conway Village had all the money to ask for two additional firefighters, it was surplus from previous years. Chairman stated the DRA allows them to keep that and expend it. Lucy stated it was her understanding that if you wish to over expend your budget, you have to apply to the DRA to over expend and, if you have a

Budget Committee, the Budget Committee has to recommend or not recommend an over expenditure. John stated he didn't mean to stir things up and Chairman stated he likes doing things by the book and, if we are going to do them by the book and policy and procedure, maybe we should send a Memo to the Precincts or at least notify all the Precincts to let them know in the future if they are going to over expend funds, they need to come back to the Budget Committee.

LIBRARY

Karen Umberger stated Jim LeFebvre had called her and asked a question about the fact that the taxpayers were appearing to have to put more money into the Library this year than they had in the past; did that get explained. She called Tara and Tara said yes, it was true; it was basically about \$8,500.00 and the reason for that is because all of their investments this year are projected to be off and they are projecting them to be off by \$8,500.00. She also indicated that last year the Trustees had decided to take some of the money out of the principal to cover their costs and they didn't feel that made good sense two years in a row. Karen certainly supports that concept by the Trustees and that was the difference in the tax impact this year. Dorcas Deans stated the increase for taxpayers is 2.02%.

TOWN REVIEW

Earl Sires stated he had a number of things to talk about and could answer any questions that the Committee may have. Earl asked if there were any questions on the Operating Budget and if not, he would proceed with review of the Warrant Articles.

John Edgerton asked Lucy Philbrick how much the total uncollected taxes were now and Lucy stated it is more than last year and she believed it to be in the \$1.2 Million range, but that was just a guess. John stated that was better than he expected.

Earl Sires stated he handed out a list of potential Warrant Articles, the draft Warrant such as it is at this point and a sheet on long term debt. Basically, there are a number of things this year that the Selectmen are talking about putting on as Warrant Articles, some are familiar and some are not. They have not made a decision as of yet to put any on the Warrant; however, Earl will go over as it is now and most of the numbers are estimates but they wanted to show both the amount of the proposed Warrant Article and the impact on the tax rate that the given Warrant Article will have.

Earl Sires proceeded with the Kearsarge Bike. The idea is that 4 feet of pavement will be added to Kearsarge Road from the corner as you go up the hill to Hurricane Mountain Road. The hope is that 80% of the \$306,000.00 is generated through Grant funding; they have a Grant in with the State Department of Transportation, it is still under review and we are still in the running for that. This will leave about \$60,000.00 that would have to be raised locally. There is a group in town that has raised about \$20,000.00. The Selectmen have to put the entire amount, \$306,000.00 on and if they get the Grant and the project goes ahead then the Town has to

come up with \$40,000.00, that would have a tax impact of about \$.03. The purpose of the project is a long story; it was originally in a Capital Reserve Fund and the Selectmen two years ago in preparing the 2009 budget deleted that from the Capital Reserve program and reduced the funding accordingly. Since then there has been an effort to generate Grant funding and, they have an application in with the DOT. The Selectmen will have to decide how they are going to handle the Warrant Article; will it say any remainder of the money that isn't collected through donations will be covered by the Town or would they put in money from the Capital Reserve Fund to make up the difference or they would still have the option of not putting anything on the Warrant should they determine the local fundraising isn't sufficient enough at this point.

Chairman Bacon asked who was doing the fundraising. Earl Sires stated the Chamber of Commerce is kind of spearheading it. Bob Drinkhall stated when that was proposed to the Board of Selectmen two weeks ago, he pointed out that the way this is written if they got no grant, the entire amount will come from taxpayer money and it was going to be re-written. Earl stated they will do that, this is just a draft. John Edgerton asked if the Kearsarge Precinct was going to pay this or is the whole Town. Earl stated this would be the whole Town and probably, at the most, it will be a \$40,000.00 impact if that's the way it goes. Earl further stated that Bob was right, they need to re-write the Warrant Article itself.

Karen Umberger stated she realized the Selectmen get to make decisions on this, but they knew where she stood; the taxpayers put the money in for this and it was, she believes, that if in fact they don't get the Grant, the taxpayers should continue to pay for it. Unfortunately, she is not able to come to Tuesday meetings, but she does feel that it shouldn't be limited to if they don't get the funding, let's hope they do, but she feels very strongly that when they had the meeting a year ago and talked about that at the Selectmen's meeting, there was, she thought, pretty much overwhelming support that the Bike Lane needed to go in. If she is not mistaken, at that same meeting, there was over \$4,000.00 that people pledged just to have the Bike Lane added. This is not something that should be dependent upon the receiving of that Grant.

Bob Drinkhall stated that he would like to make two points; when it went before the Board of Selectmen last year, they agreed they would not spend any Town funds whatsoever, that all monies would have to be raised by either Grants and/or donations. He would be totally opposed at this point of time with the economy the way it is, this is a great example of a want versus a need and he did not think it was the time to be doing it. He lives right dead center and he would love to see it, but doesn't think we can afford it.

Pat Libby asked when would we know about the Grant and Earl Sires stated he would like to have that information for everyone at the Town Meeting in March, there is a possibility we will know. Pat stated there is also the possibility we won't know. Earl stated some of the options the Selectmen may have: they can do anything from what Karen's suggesting, which is write an Article that funds it regardless of whether any Grant money comes in or they can write an Article that funds it only if the Grant money comes in; so they have some work to do on that.

Chairman Bacon stated when the Grants notify you, they'll send you a letter committing to that fact. Earl Sires stated as we understand it there is a meeting some time this week where DOT gets the recommendations from its staff, they consider them for a month and then the third week in February they hopefully make a decision. Theoretically, we should know by the end of February. Chairman asked Earl to forward a copy of the letter to the Budget Committee.

David Jensen stated as the residents of Birch Hill know, Grant money can be given and taken away; is that a concern. Earl Sires stated he did not think it was a concern in this case, but they would want to make sure they had a pretty bullet proof commitment; there is no sure thing, but we'll have to wait and see what the letter says. Bob Drinkhall stated that is why it is important that this be re-written so if it passes, if it is recommended by the Board of Selectmen, if it is recommend by this Committee, and if the voters vote it in, we want to make sure it is written in such a fashion that we are not open to the entire amount if the idea is that we get 80%; that is extremely important. David stated they had it written, they had agreed, they did all the construction and then the State reneged on the agreement. Bob stated what he was saying if they did what he was suggesting, they wouldn't be able to go forward with the project because it wouldn't meet the requirements. David stated it was his understanding Bob was saying that as long as there was an agreement with the State to pay for it. What David was saying is that they had an agreement for the State to pay for it, they dug the pipe underneath the river and then the State said they were not going to do it; having an agreement from the State doesn't mean much more than the fact that they said they were going to agree to it.

Karen Umberger asked why it went from \$80,000.00 to \$306,000.00. Earl Sires stated Paul (DegliAngeli) could tell you better, but he thought part of it had to do with going back and doing parts that were already done so there is additional work that has to go into that. The original idea was to do the whole length from the corner to Hurricane Mountain as the whole project was unfolding so it is just a matter of laying out additional pavement. About half the project has been done so the second half could be done that way, but the first part has been done so they have to go back in and do some right-of-way realignment and then get some sort of specialty application of just 4 feet in there. The other thing that is a little different is that they have included the entire, originally the overlay comes a year later and was not included in the Grant application, but they have included it in this for the Bike Lane part only just to try and cover that funding as well.

Karen Umberger asked if the Town had talked to anybody about doing the extra 4 feet as part of the contract and Earl Sires stated yes. Karen stated this figure recognizes that you will only have to worry about the top layer from Intervale to Kearsarge. Earl stated they will have to retro-fit or redo the southern half and then they can do it along with the paving project as part of the North Conway Water Precinct project for the northern half. The overlay for the entire amount has been included in that, whereas they hadn't included that in the original \$80,000.00

project so they are trying to get more pavement at less of a cost to the taxpayers.

Chairman Bacon asked how many bikes travel the road and Earl Sires stated he did not know; however, testimony has it as being heavily used. Karen Umberger stated there is heavy usage on that road: walkers, bikers, strollers, hikers, runners; it's a well traveled pedestrian road.

Earl Sires proceeded with the Public Works Union Agreement. This related to the agreement with the Public Works employees. As mentioned before, this year they have agreed to take a cap, raises can not exceed 2% this year, there would be a potential up to a 5% raise so they've capped that and they have taken a little less rich prescription benefit. This is actually going to be a no cost and perhaps a negative cost contract. Earl will have to figure out how to write this Article. If approved, it is a two year contract so it will be a 2 year Warrant Article and he will have to note that there is either no cost impact or actually because of the terms there will be a slight decrease during the first year. State law asks you to show on the Warrant Article the financial impact of any new terms in the agreement, so the new terms of the agreement actually call for less over the two years than the old contract would have and he will have to figure out how to word that. It certainly is not going to generate any tax money by being a negative so he is putting it in as a zero at this point.

Earl Sires proceeded with the Building Maintenance Capital Reserve Fund. At the Selectmen level, they have talked about whether or not to do anything with this fund this year; it gets kind of tied up with the Garage financing. They are at least leaving an amount in there which is probably more than what will be approved by the Selectmen. This Fund handles the Capital Maintenance needs of the various public buildings: roofs, new siding, heating systems, those kinds of things. Paul is working on a list so that's just a place marker at this point.

Karen Umberger asked if anything had been received on this and Earl Sires stated no, Paul is still working on the list. Karen stated had we put \$75,000.00 in historically and Earl stated the historical amount began in 2003 at \$125,000.00 for a number of years and then for one year it went to \$175,000.00 and last year it was zero because the proposal was for a bond for the Garage and not have anything go in there. There is a balance in there of about \$225,000.00 at this point and he wants to come back to that at the end of this when we talk about the Garage Bond or Garage financing; he wanted to take up with an idea that Doug Swett broached at the Selectmen's meeting last week.

Earl Sires proceeded with the PEG Expendable Trust Fund. This is a fund that was set up to disburse monies that the Town receives from subscribers to the cable TV system. Everybody pays 3% of their bill to the cable company and they in turn pay it to the Town. It can be used for any general fund or for any Town purpose; however, traditionally it has been used here to support PEG TV (Public Educational and Government TV). In Conway that's provided to the viewers with a contract with Valley Vision, a private non-profit. What has happened in the past, the Selectmen have typically proposed placing all of the franchise fees

received into the PEG Fund and are using a part of that to fund Valley Vision through a Memorandum of Agreement. Earl will be looking at the MOA tomorrow and he believes Valley Vision is requesting \$92,500.00. The check this year from Time Warner was for \$122,000.00 so it was up \$7,000.00+ from last year. The Selectmen probably will change that number to \$122,000.00; if they use \$92,500.00 for the Valley Vision contract that will leave \$30,000.00 and typically they will use that for equipment needs. In the past two years, they have funded a High School video education program with some of that money; however, they have indicated they do not intend to do that this year, because they have some concern about Conway being the only Town that provides funding that benefits the SAU 9 towns. This has no tax impact because it is supported entirely by the funds derived from the franchise agreement.

Chairman Bacon stated the Agreement is good through April 2010; is that going to change. Karen Umberger stated that question could not be asked. Earl Sires stated they have been re-negotiating the Franchise Agreement that expires in April; have sent them our second draft. Chairman stated there was talk last year about the Town possibly increasing the fee percentage. Earl stated that isn't on the table; in fact that can be done apart from the contract if the Selectmen decide to do that. Federal Communications Law provides that you can have a franchise of 0% to 5%; ours has been 3% since the start. What is being talked about in the contract is: in our current contract every 5 years we receive \$10,000.00 as a Grant for equipment for the PEG station. We are proposing to up that substantially over the next 10 to 15 years to more like \$50,000.00 every 5 years for a couple of reasons; primarily the cost of things has gone up so if \$10,000.00 was used in 1985 and we are asking for that hoping we will get something near that; we may not get that. That is passed on to the payers of the bills as well. Time Warner will put a little thing on your bill every 5 years that says this was your generous donation to the Town's equipment fund. The equity in all that is the viewers of Cable TV are paying for the equipment that provides the programming for the channel that only Cable TV subscribers get. What they are trying to do in the contract as well is create the ability to generate live programming from Town Hall, from the High School, sports events and perhaps the Library as well. Selectmen are looking at a separate Memorandum of Agreement with Valley Vision to continue for another year to provide PEG services under pretty much the same approach they have used in the past.

Karen Umberger asked if we were still going to continue with the mile and a half of cable every year. Earl Sires stated they still have that in as a request and their response to the initial request was "no" and we said "yes we want it in there"; we're getting to the point where there is probably only a few miles in the entire town; where John (Edgerton) lives, that isn't strung with cable yet. John Edgerton stated that was a special that the Town asked for that mile to go. Earl further stated there were probably only 2 to 3 miles left in South Conway with not a lot of houses in there. Karen stated she thought that was an important thing because we talked about high speed interconnect for computers and all of those kinds of things and because we are just about done with the entire community she thought we really need to try to make sure that our community gets there. John asked how many more areas do you really need the one mile coverage for. Earl stated he was expecting an update from

Roger King, the local manager, but he believes it is only 2 or 3 miles in the South Conway area; he didn't believe there were any other areas in Town that weren't wired at this point and, of course, any new developments the developers handle all that insulation themselves.

Earl Sires proceeded with the Police Vehicle Capital Reserve Fund. This is for \$38,000.00 and is something that has been in effect for 4 or 5 years; every other year they buy one or two cars; the amount remains the same. This is a 2 car year and he thinks they are talking about just buying cruisers. That's a \$.03 impact on the tax rate.

Earl Sires proceeded with the Public Works Mower Blade. There was an item in the Operating Budget for a mower blade that would attach to the tractor; a fairly pricey item. They have a policy that things of \$10,000.00 and up will be Warrant Articles so that was placed as a Warrant Article and that's an estimate, it's probably a \$9,000.00 to \$11,000.00 piece of equipment. John Edgerton stated you are really going to have to explain to the public why you are buying a blade for \$10,000.00 and a lawn mower for \$10,000.00. Earl stated the lawn mower he knows a little bit more about; they have two, one has lasted considerably longer and is considerably more durable and more expensive and it's a very maneuverable machine; it cuts down on the handwork afterwards and all that kind of stuff. They are going to have some quotes to show what it will cost. The one that they have had has lasted quite a few years versus one that they got that was called a commercial mower but really wasn't of the same quality and it only lasted probably half the life of the other one. John Edgerton stated the blade for \$10,000.00 is going to be the one that has to be explained. Karen Umberger stated that's the one that mows the sides of the road. Earl stated we keep the recreation mower busy all summer with all the Parks and this other blade attached to the tractor is a roadside mower blade, it's a different kind of blade from what they have been using, it will do a better job; the details Earl didn't have handy but Paul will certainly be able to explain what that is all about.

Earl Sires proceeded with the Long Term Debt Projection. This is sort of what you might think of as light at the end of the tunnel. John Edgerton stated he thought the advantage here is that you should show that the Garage is only going to add about \$40,000.00 or \$50,000.00 a year in the annual bond payments and that's miniscule compared to where you've dropped to. Earl stated this was one of the center pieces of the discussion and it still may be but what he wanted to show and remind everybody was that the long term debt drops dramatically in 2012 from \$430,000.00 to under \$100,000.00; so that is some light at the end of the tunnel. John stated he hoped, unlike the School, this will reflect in the tax rate. Earl stated he knows that it will blunt any increase in the tax rate; whether it creates a reduction is up to the Selectmen, the Budget Committee and the voters.

Bob Drinkhall stated he has received calls that have stated that very same fact that they would like to see it as a tax break. Earl Sires stated you're talking about the 2012 drop, he thought that had a very strong potential of being that. John Edgerton stated the reason he said that was because the School dropped their debt payment by \$1.635 Million

and they zeroed the budget. Karen Umberger asked what was coming off the long term debt. Earl stated Landfill. Lucy Philbrick stated only thing left is the Library.

Earl Sires proceeded with discussion on the Garage and what Doug Swett brought up at the Selectmen's meeting; sometimes he has a hard time with how to do these things because he works with the Selectmen most of the year and with the Budget Committee part of the year and sometimes things are happening and he has to present to one group before the other hears about it. The Selectmen haven't really had a chance to look at this and he has no idea how they are going to react to this, but Doug did ask a very good question at the meeting the other day: if we've got a \$600,000.00 project, he doesn't like the idea of taking any federal money but let's just say we end up with the \$200,000.00 Federal Grant, you're down to the \$400,000.00 range; wouldn't it make sense not to finance that, do it all at once and just pay it off. There are obviously different views of that. Earl knows John has a different view which is spread the payments out and don't hit the people that are here today with everything because some of the people that are here today may not be here tomorrow. If we get a Grant for \$200,000.00 from the Feds which there are some strings attached: we have to do a buy American approach because the Stimulus monies require that and its not just buy American on the big pieces of steel and stuff like that, but it is buy American down to the cups on the bottom of the chairs, the knobs on the drawers and the nails in the wood so that adds a bit of complexity to it and it is also a Davis Bacon Wage rate requirement. Everything seen so far tells us that it is still worth going for the Grant, but they are thinking about that and are looking at that and the Selectmen will have to make that decision eventually. For the sake of this discussion, if we are talking about a Grant for \$200,000.00, we still have \$225,000.00 in the Capital Reserve Fund and Karen has some very strong opinions about that Fund and what that money was for and this might get back to her philosophical view as well. You take that \$200,000.00 and that leaves you with \$200,000.00 that you need to build this Garage. It may be that you are now getting into the territory now of a 1 year appropriation because \$200,000.00 is a \$.14 hit on the tax rate for one year but then the project is taken care of. If you look at the avoidance of \$170,000.00 which if you build a new building is what you avoid in the next 10 to 15 years of having to put in the existing building. If we wait a year, we're going to have to put at least \$90,000.00 in the existing building. Financing for a 10 year bond for \$400,000.00 is \$80,000.00 so you start to look at those numbers and he thinks it is something the Selectmen, the Budget Committee and people should think about. How you want to do it, you'll figure that out eventually, but it is getting into the territory of does it make sense to use the money we have and minimize the paying to one year or two. There is some stuff that would make the Warrant Article difficult to write. That is one alternative; the other is a bond for \$400,000.00 and have \$200,000.00 comes from the Grant. Again, the Selectmen might write that to say only if the \$200,000.00 Grant comes in or they might write it to say as they have now up to \$600,000.00 minus any Grants that come in. John Edgerton stated 5 years seems to be more practical.

David Jensen stated there was no mention of a change in the operational costs. Earl Sires stated he is always a little hesitant on those because

people like to talk about what they are going to save in getting a new building. As we found out with the Library, we would save money on utilities because we know we are burning fuel to keep the place warm enough to melt the snow off the roof because the roof isn't strong enough to hold the snow. What they found with the Library was that while they had some efficiencies in savings, there are all these other things that sometimes you don't account for like service contracts on systems there, higher costs on more technical systems and that kind of stuff. There is going to be a savings, but he didn't want to quantify it because he wanted to have it be net. David asked about Workers Comp and Earl stated there are all kinds of downsides. David asked if there would likely be less overtime because you have a facility that doesn't make you work into the evenings because you don't have enough space. Earl stated he thought there are a number of arguments for replacing an outdated, inefficient, unstable building with a new efficient modern workplace.

Chairman Bacon stated the bond hearing is on the 9th at 4:00 PM at the Selectmen's Meeting. Earl Sires stated the bond hearing is here at 4:15 PM. He did some research and a separate Budget Committee bond hearing was held a few years ago and they are telling him at the DRA that the Budget Committee is not required to have one, only the Selectmen; however, the Budget Committee has to make sure that it is mentioned at the Public Hearing; that's your forum. If you want to have a Public Hearing, you can have one, but you are not required by law. Chairman stated he would assume that the Town and the Selectmen will bring up everything being talked about now, about expenditures, about cost savings and try to get as much information out to the public as possible. Earl stated he can see the argument for using the money that's in the Capital Reserve Fund; it would leave \$25,000.00 in there and if we didn't have anything contributed to it this year, there are a number of things that need to be done but all of those things could wait a year. We know we need to fix the roof at the Storage Garage, we know it's leaking but the world is not going to come to an end if it is that way for another year; it would be nice to fix that, but we can do without for a year and then fund it in 2011. Again, this is all food for thought and the Budget Committee and the Selectmen will have to work on how you want to see this go.

David Sordi asked how long the funding was available from the Federal Government. Earl Sires stated he didn't think anybody knows; it's a relatively new program coming out of the Stimulus money through the US Department of Rural Development Community Facilities Program. All of a sudden this existing program has a lot more money than it used to and most of the rules are the same.

Pat Libby pointed out that if you use the Building Fund and go the Warrant Article route instead of the Bond route, you have to have a lesser vote which might be something you want to take into consideration. Earl Sires stated he hadn't thought about that, a good point; the margin of victory is less.

Doug Swett stated knowing you're going to have to spend \$90,000.00 to \$110,000.00 on that old Garage over there, if you don't get a Garage and we don't know exactly what this Garage is going to cost yet, the Town should, over everything else, build that Garage. You have 84 vehicles

being repaired by 3 men and maintained and you're fooling around with whether to give them a decent place to work in. Judd Gregg and another man are trying to get a group together to look into the financial situation this country is in and tell us just where it is going. Judd has worked on this for two years and it looks to him like every budget in this Town and every town in the United States should be cut 10% this year because it's coming down the road where we are either going to lose out country or our standard of living or both and China and the rest are going to own us; nobody's facing it.

Earl Sires proceeded with the Default Budget and that Lucy does the calculation each year. Karen Umberger asked if the Selectmen had made any ups and downs; this is based on the projected not necessarily based on where we are today in the budget. Lucy Philbrick stated the Selectmen haven't voted on any other budget but this one; this is the amount the Selectmen voted on, they haven't changed their vote yet. Earl stated probably tomorrow they would do the adjustments because there have been a few things that have changed but it's only by about \$20,000.00 to \$30,000.00. Karen stated she wanted to be sure that everyone understood that this may not be the final. Lucy stated the proposed budget number would change; the Default Budget would stay the same. Earl stated the Default Budget calculation is still going to be \$9.488 Million and the \$9.609 Million may change somewhat; right now looking at a \$130,000.00 difference. This is the same formula that comes from State law and then Lucy applies that to things that have gone on in the last year and comes up with the number. As most of you know, it is up to the Budget Committee to actually adopt the Default Budget right after the Public Hearing.

Earl Sires stated he had some updates on meetings coming up: your Public Hearing is Wednesday, February 10th at 6:00 PM in the Auditorium at the Kennett High School; the Bond Hearing is February 9th at 4:15 PM and he does have a copy of the Bond or Article if anybody wants to look at it but basically it's up to \$600,000.00 minus any Grant funds that might come along; looking at a Public Hearing for amending the Solid Waste Ordinance to begin to charge a little more for some of the materials that we recycle that we pay to have taken out and that will happen February 9th as well; February 2nd at 2:00 PM the Garage Committee is meeting to come up with their final recommendations; the Deliberative is February 3rd at 7:00 PM at the High School; and voting day is April 13th.

Pat Libby stated she didn't know who was in charge but one year there weren't arrangements made to have Valley Vision there. Earl Sires stated they certainly make sure that Valley Vision is at all of the Town meetings. The School typically makes it's own arrangements but they will coordinate with the School.

Chairman Bacon thanked Earl Sires and Lucy Philbrick for coming in.

OTHER BUSINESS

Karen Umberger stated she was not sure why the increase in the Capital Reserve Fund expenses this year should be part of the Default Budget. That's a question we need to answer because it's our responsibility to do this and she also didn't know if they plan to eat the salt or if the salt

contract has stabilized or not. Chairman Bacon asked if Karen wanted that posed as a question to be e-mailed.

Shirley Renahan stated nobody has said anything to her about a Precinct Report. Chairman Bacon asked who the representative was. John Edgerton stated Redstone Fire District is not represented. Pat Libby asked if they submitted a budget and Chairman stated he will have to find out.

Chairman Bacon stated there was some scuttlebutt about people sitting on the Budget Committee and what the rules were as far as a member not showing up and how they are removed from the Budget Committee. He has done his homework and the RSA which stipulates and according to RSA 32:15 under Title III - Towns, Cities, Village Districts, and Unincorporated Places, Chapter 32 - Municipal Budget Law. We have a problem with people not notifying the Chair about whether they are going to sit on the Committee and there is no way to contact them. According to RSA 32:15(VI):

A member-at-large shall cease to hold office immediately upon missing 4 consecutive scheduled or announced meetings of which that member received reasonable notice, without being excused by the chair.

This is in regards to Betty Boucher; she has not notified this Committee, she has not been excused by the Chair and there is no voting according to the rules and laws and she automatically ceases to have that seat. There is no voting on it, therefore she is no longer a member of this Budget Committee according to the rules and law. Karen Umberger suggested that we send her a letter to inform her of that based on the RSA. Chairman stated the way the law reads, technically we don't have to send a letter but he will send a letter and we don't need a motion. Chairman will notify her. Any others that miss 4 consecutive meetings that doesn't notify him, will also cease to seat that seat. That is just the rules and it's not fair to the Budget Committee members that sit here at every meeting to have someone walk back in and seat it and start giving input when they haven't done any of the diligent work on it; so according to the rules, that's what we are going to do and he is going to send Betty a letter letting her know that she no longer has a seat on the Budget Committee.

Pat Libby stated she hoped the letter will include thanking her for her service in the past because she was a long term member of the Committee. Chairman Bacon stated he had no problem, he was not going to make it derogatory of any fashion, he will include that, he just thinks these things need to be done and need to be said. The reason he is doing this is because the newspaper has labeled us Budgeteers and he thinks that is not what this Committee is; he feels that is derogatory toward the Committee as a political committee or a governmental committee.

David Jensen asked if this had any material impact on the quorum. Chairman Bacon stated no, it's still the same; what happens is if there was one more to leave then it would adjust the quorum number and until that happens the quorum stays the same.

Chairman Bacon stated he wanted to mention we should be thinking about the recommendations and to be ready to discuss them at the meeting on February 1st. Karen Umberger stated she had no problem with that except we need have some sort of final budget figures so that we can know where we are. They haven't decided what they're going to do on certain areas and it becomes difficult for us to make recommendations if we don't have a good handle on where we are.

Chairman Bacon stated on the 27th we have Special Ed, Unit 2 and he could send an e-mail to Carl and Earl asking for finalization numbers as far as the budget is concerned. Karen Umberger stated she didn't care if it's finalized or not as long as we know that the Police Budget is down from the numbers that we have by \$30,000.00 or that the Public Works is up by \$20,000.00 or whatever it happens to be. Chairman Bacon stated we need to make sure the numbers they've given us are it.

John Edgerton stated one minor item with the School; the School is going to give the Police Department \$36,000.00 for the Police Officer at the School for the first time and that will adjust the Police Budget. Karen Umberger stated it shows up in the revenue but it was not identified in the revenue so that needs to be identified in the revenue for the Police Department because they were saying they didn't know what was going to happen on that. The School has certainly budgeted that amount of money at this point. John Edgerton stated it is in the regular budget, that's part of the \$1.635 Million; they took \$36,000.00 for the Police Officer and the rest we don't know what they did with it.

David Jensen stated he didn't know if any of the newer members might want to know what the Letter of Recommendation was and how it works. Chairman Bacon stated there are two letters that go out, one to the School Board and one to the Town. The Budget Committee gets together and we hash out about the figures and try to figure out what we would like to see. Chairman further stated Lucy asked him when we vote after the Public Hearing, she wants us to vote agreeing to the department totals. Karen Umberger stated we've never done that. Chairman stated if we didn't, she was going to ask if we went to the bottom line; she was still going to ask if we agreed with the department totals. Karen stated we have never done that; she certainly doesn't have a problem with that and is sure from her perspective that is a requirement. Karen stated the Police total is x, Library total is y, the Public Works total is z, so that when they then move forward, they have a firm indication. That doesn't mean during the course of the year that they can't change any of that. David Sordi asked if we approve by department, do they have to come to us to shift money and Karen stated no. John Edgerton stated the Selectmen have control over the budget once it is passed.

Chairman Bacon continued with the Letters of Recommendations that go to the School and the Town; they don't have to follow them, they are just recommendations. Basically, it boils down to the Budget Committee is responsible to find the best prudent appropriations of the taxpayers fund for the School and the Town. It is just a formal thing saying we looked at your stuff; however this is what we would like to see you do with your budgets. Karen Umberger stated since we have started doing these letters the acrimony between the 3 entities has been reduced and the letter that

we sent last year to the School is why that K through 8 group was set up and there have been some good things and in fact both the Selectmen and the School Board look at our comments and recommendations because we are another set of eyes. John Edgerton stated he agreed with Karen; almost everything he knows of that has been brought up by this Committee to the School they have formed committees and looked at them very seriously.

Bill Masters asked if the Budget Committee was still operating under the basis of looking at zero based budgeting. Chairman Bacon stated that is what we will discuss when we do the recommendations. Karen Umberger stated she thought that could be a recommendation to both the School and the Town that for next year what the Budget Committee would like to see is a zero based budget process. Bill stated he thought he read that in the "Get Out And Vote" notice for 2009, it said that the Selectmen had in fact adopted in August the zero based budget approach and he just wanted to reconfirm in his mind that we are thinking that still. Bob Drinkhall stated that is what we did last year, not this year.

Pat Libby asked if the recommendations were just for the School or would the Town be included and Chairman Bacon stated we can do both at the same time. Pat further stated that at some point, she would like to have Dr. Nelson spend a little bit of time explaining the Evergreen Clause; he went over it a little bit on the Contract in the overview and she really didn't understand it. Karen Umberger stated how about there is no explanation for the Evergreen Clause. Pat stated except that it is the law; the reason why she brought it up is because we are going to be voting on a recommendation on the contracts and seeing how this is going to be the baseline contract perhaps forever for School employees, we should have a better understanding of what that means because theoretically we could be tying the hands of the people in this Town forever and ever by the raises that are given this year.

John Edgerton stated by law can't do anything in perpetuity. Karen Umberger stated it changed. John stated when New Hampshire passed the law that the School employee's contract would be in perpetuity until they got a new contract. Karen stated it wasn't just the School, it was any contract. Pat Libby stated unfortunately that's pretty much what we already have with the Matrix System with the Town is a contract in perpetuity because they get automatic raises based on the Matrix System. Pat thought it was a good idea before people vote on the School contract they get an understanding of what that could mean.

Bill Masters stated the question he has is really looking at it from the viewpoint with respect to the automatic raises, if you have x number of dollars appropriated to you as a Manager and you have several elements of the program straight on out, if you have a mandated raise then you have to decide as Manager what priorities are if you have just x number of dollars and that's the basis he operates under; the fact of the matter is regardless of what the mandated raise is and you only have x number of dollars that have been approved, your first consideration is that mandated raise and then you have to decide where you are going to get that other money from on the other program elements that you have. That's why you pay the Managers the big bucks; they have to make those decisions and it is not fun. In that aspect of it, he thought we should just set

aside and say everything's on the board and come up with a prudent figure for each particular department regardless of what's there and put that forward as our recommendation. Chairman Bacon stated Bill should bring that back up on the 1st.

Chairman Bacon stated as far as questions e-mailed to the School last week, Dr. Nelson will be e-mailing the answers. He expressed to the Chairman when talking about some of the stuff that had been asked on Special Education, they can't give us because of the disclosure laws for children, can't give you precise, can only give a range.

John Edgerton stated in an article he read in the paper there were different wordings, there were non-resident that inferred we were paying for people that were no longer residents to be in Special Ed outside the town. There was some placements of our students out-of-District and there was some wording that was out-of-placement non-resident.

Bill Masters stated they've identified several number of students and they've said x number of dollars; he just wanted a broad range of what they said that placement costs; what does that \$200,000.00 that the taxpayers pay for cover, is it lodging, special medical treatment, physical therapy, speech therapy; just the general aspect of it. Chairman Bacon stated he will have most of the answers for you on Wednesday.

Bob Drinkhall stated there was a question regarding the Garage Committee; were your questions answered. Pat Libby stated she didn't think we were going to have answers for awhile; she was hoping that at some point we would get a recommendation from Ray or Bob who serve on that committee. Bob stated back in early December a schedule was set up so we would have all of the recommendations, first from the committee to the Board of Selectmen in time so it would be ready for the bond and that was set for the 2nd of February. Prior to that, Paul was going to get a pre-bid on the project itself so they would have some actual prices. Either 2 or 3 weeks ago, he was blindsided at the Board of Selectmen's Meeting with information regarding the possible stimulus money, that it had to go a different route and we weren't going to have that bid and they were just going to go ahead with that. Bob stated this should go before the committee and they all jumped him and said it shouldn't. Bob stated the committee has never given its recommendation because they have to have the bid in order to come up with that recommendation and there were some alternates on whether or not to include a generator, whether or not there would be different types of insulation in the building and so forth. When Bob brought that up, one of the Selectmen realized what he had said and agreed that yes, it should go before the committee. All committee members are adamant for a meeting and that they do give a recommendation to the Board of Selectmen. The committee is going to meet on the 2nd which the Selectmen don't yet know and are going to have the meeting without the bid prices; so he doesn't know what is going to transpire because the way the bond is written, it is \$600,00.00 that they are authorizing to be expended whether it all comes from the Town, partially from the Town or whatever.

Pat Libby asked where did the \$600,000.00 figure come from. Bob Drinkhall stated that was staff. Karen had mentioned it last year and they have

talked about it as a committee but since nothing was recommended, that was staff coming up with \$600,000.00 at this point in time for the bond itself, nobody else. John Edgerton stated you mean the \$600,000.00 is without any feeling on what the contract price might be; no bids have come in at all, no bids have been asked for. Bob stated no recent bids; but this is based on a lot of work done because Paul and Earl do attend and are part of the committee; that figure has been bantered about and really they have not come up with a figure. John Edgerton stated he was concerned because with the \$800,000.00 to \$1 Million last year; the biggest problem with that was that no one knew what it would cost.

Chairman Bacon stated Point of Order. These are valid questions for the bond hearing.

Doug Swett asked if the meeting at 2:00 PM is open to the public and Bob Drinkhall stated absolutely.

John Edgerton moved, seconded by Bill Masters, to adjourn the meeting at 8:20 PM. Motion carried unanimously.

Respectfully Submitted,

Iris A. Bowden, Recording Secretary