

**MINUTES OF MEETING
MUNICIPAL BUDGET COMMITTEE
February 8, 2010**

A meeting of the Municipal Budget Committee was called to order at 6:31 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 (arrived at 6:40 PM), Bill Masters, David Sordi, Shirley Renahan (arrived at 6:40 PM), Karen Umberger and Bill Aughton. Members excused from meeting: Jim LeFebvre, Raymond Shakir and Sheryl Kovalik. Also present: Earl Sires, Lucy Philbrick and Chief Wagner.

Chairman Bacon asked Bob Drinkhall to lead the members in the Pledge of Allegiance.

After discussion, approval of the Minutes for January 25, 2010 was tabled until the next meeting.

DEFAULT BUDGET

Karen Umberger moved, seconded by Pat Libby, to set the default budget at \$9,247,446.00. In favor: 5 - Doug Swett, Bill Masters, Karen Umberger, John Edgerton and Dan Bacon; Opposed: 5 - Shirley Renahan, David Jensen, Bill Aughton, Pat Libby and David Sordi; Abstain: 1 - Bob Drinkhall.

Karen Umberger stated basically this is the Default Budget that was recommended minus \$241,000.00 for the Capital Reserve Funds that were added back in. Earl Sires stated the formula used this year is the same formula used in the past and in the past we reduced the Default Budget when we reduced the Reserve Funds; they were not doing anything different than they had in the past. If that was the appropriate methodology in the past, then the appropriate methodology currently would be the number that Lucy presented. That has been the practice; it's up to you guys to change it but they are not doing it differently than what they had done in the past.

Chairman Bacon stated he spoke with the DRA and they explained to him that we take last year's budget, add in all contractual obligations and subtract only the one time payments and that is what the Default Budget should be set at. Earl Sires stated then you are doing things differently than you have in the past, which is your prerogative. If we reduce funds in the future, then we won't reduce the Default Budget in the future.

David Jensen asked if there was any impact if we recommend a lower Default Budget and the proposed budget is not passed by the public; is the fact that we have re-written the budget and the Default Budget going to mean anything to the Town's operating capacity. Earl Sires stated as long as everyone recognizes that you are doing things differently now than you have been, then that's fine; but if this means the Default Budget is significantly lower and if the Default Budget is approved, it means a significant reduction in services, which is fine.

Chairman Bacon stated the DRA said that if they saw there was anything for the Capital Reserve Funds in there, they would kick it back; that's why it needs to be taken out. He spoke with Michelle at the DRA and this is how she said to handle this and she said they definitely don't want to see an increase of a Capital Reserve Fund included in the Default Budget. Earl Sires stated to the Chairman that if he was going to call the DRA and we would be having these discussions, he would appreciate being involved in them. Chairman stated that's why he was bringing it forward. Earl stated that's why he was asking the Chairman to involve him ahead of time.

Pat Libby asked how will that significantly impact services to the Town should the Default Budget take effect. Earl Sires stated he had no idea, but it gives them \$300,000.00 less to work with so it would be up to the Selectmen to decide. It is frustrating to him because they try to do this every year, work closely with the Budget Committee every year and think they have the process that the Budget Committee wants them to follow and if it is going to be changed, great; he would just like to be involved in discussions ahead of time. Who knows what it will do, but \$300,000.00 will have a significant impact. Pat stated that money is dedicated to the Capital Reserve. Earl stated what might happen is that the Capital Reserve Funds get reduced and the roads don't get paved, he didn't know. The Selectmen have to make that decision.

Bob Drinkhall stated in addition to what Earl's mentioned, this would strap the funds that would go toward the repair of the Storage Garage, the possible amount of money that would be put toward the new Maintenance Garage, etc., etc. Earl Sires stated potentially yes, but if that's what it is, then that's what it is.

David Jensen asked Karen if it was her intent in making this motion because she feels there is an error in the process or is her intent in this motion to reduce the size of the budget. Karen Umberger stated this has nothing to do with the size of the budget. David further asked Karen if she was willing to go ahead with this if it means that the size of the budget will be reduced. Karen stated the Default Budget is only if the regular budget doesn't pass and her intention is basically the fact that the Capital Reserve Funds increased this year is not something, in her opinion, that should be part of the Default Budget. It has nothing to do with the regular budget; when it comes time to vote for the regular budget, she will support wholeheartedly the regular budget. David stated his question is: is your principal issue about where that should be, and he was not an expert enough to agree or disagree, and he appreciated that Karen had a principal position but was she committed to the principal enough that she was willing to risk having the Town lose the money and Karen stated yes.

David Sordi stated that he was confused; the DRA told the Chairman that you can't include the Capital Reserve Fund; between what Karen is asking and what you're saying is \$124,000.00. Chairman Bacon stated no, what we are saying is that the \$241,000.00 for the Capital Reserves; if the budget fails, it goes to the Default Budget. The other reason he was looking at doing this is if the Budget fails and it goes to the Default

Budget and you have the \$241,000.00 in there, the DRA said they would have an issue with that. David stated that \$124,259.00 that's being deducted for the debt services, that comes out of the Default Budget too. Do we even have a choice then in whether we approve the \$9,247,446.00 or go lower. The motion that Karen is making seems a no brainer but if the DRA says it has to come out or they won't approve it, do we even have a choice of what the number is going to be.

Bob Drinkhall stated he knew it hasn't happened since he's been on, but the Default Budget has kicked in in the past and also the increase to the Capital Reserve Fund was included in those years. Earl Sires stated he didn't recall how that worked and thought it was in 2003 the Default Budget was voted in because the Operating Budget wasn't approved. Earl further stated to the Chairman that he didn't have any doubt what the DRA told Dan, but what was a little disconcerting to him was typically we try to work closely together so we all know what is going on; he would appreciate it if we have these conversations so he knows where we are going. Chairman Bacon stated he understood but what he does is finds information, he is trying to do the right thing, doing what the Chair is suppose to do, make sure we follow the rules and he brings everything to the table and that's why we are here, we are having the discussion. Earl Sires apologized and stated he would appreciate a little consideration. Bob asked the year it did go to the Default Budget was there any money in there. Earl stated he didn't know if they had to change anything or not; we have reduced it in the past. Lucy Philbrick stated strangely the DRA didn't have any problem with that. Earl stated part of his frustration in all seriousness is, having done this for 10 years, you get rolling opinions from State agencies, sometimes a new person comes in; he got something today from the same person Dan was talking to that added something to the Bond Article that she had already reviewed once and said it was fine; so there's a little bit of frustration with that and he apologized.

Chairman Bacon stated he had an e-mail from the DRA that says "The total amount spent shall not exceed the total amount appropriated at Town or District meeting", RSA 32:10, that's on the Default Budget. The Default Budget is the same as last year with certain adjustments, the calculation must be disclosed on a Special Default Operating form showing last year's Operating Budget and adjustments made per RSA 40:13-IX(b). Warrant Articles must be posted on the budget and at the bottom it says "Do not include Reserve Funds or trusts as part of the Warrant Articles for the general municipality operations. They should be treated as Special Articles only." Chairman further stated he was sent the Rules and Regulations. Earl stated this is a good reason why we should both have this conversation with her because she doesn't understand from that e-mail that these funds are in the Operating Budget, not in separate Warrant Articles and Karen is well aware of that whole issue. The DRA will tell you that all Capital Reserve Funds have to be Warrant Articles; however, these were set up by the voters as being in the Operating Budget. What she doesn't understand is that these are Operating Budget Capital Reserve Funds and not separate Warrant Articles. To be sure, we should call her back tomorrow and say this is the way it is. Earl further stated that he would like to be involved in this conversation so we get

all this information out there and we get the right answers. Chairman stated he would have her send Earl an e-mail.

Bob Drinkhall asked if this matter could be tabled until we get a final ruling; table it until Wednesday, we could do it first thing. He happens to agree with what Karen is saying from the information he was seeing tonight. This would literally cripple, in his opinion, the Town budget and even if we approve the budget as is, it could still go to the Default Budget at the Deliberative or on voting day so we're taking a big chance of having a rather large problem.

Pat Libby stated in looking at the Warrant Articles, Article 15 talks about the Capital Reserve Fund and what they are looking for this year and it says it's in addition to the Operating Budget. Earl Sires stated that particular fund is only for the maintenance of the buildings. Karen Umberger stated the others are in the budget. Lucy Philbrick stated the Police Cruisers were set up that way too, as a separate Article. Karen stated she would suggest that we take a vote tonight and charge the Chairman with getting together with Earl to discuss it and if we have any change of heart by DRA then we can reconsider it as our first order of business. Actually it doesn't have to be our first order of business because the Precincts are on at 6:00 PM and she was not sure whether it was the School or the Town that was on at 6:30 PM. As long as it is done prior to 6:30 PM, that would be her preference but she thinks we certainly owe it to Earl to have the Chairman and he discuss it with the DRA and then if they have a different opinion then we can go forward.

Earl Sires stated Bill Edmunds of Valley Vision was wondering if he needed to come in and give the Budget Committee anything on Valley Vision's budget because in the past that had been the case particularly 4 or 5 years ago there was a real push from the Budget Committee to review the Valley Vision budget. The fact of the matter is what the Budget Committee and Selectmen end up giving is an opinion on the contribution of monies from the franchise fees into the PEG Trust Fund which will be about \$122,000.00 this year if the Selectmen decide to put all of it in which they typically do. One of the things that the Budget Committee has been interested in the past is what sort of arrangements are the Selectmen going to have with Valley Vision for the year and often times wanted to see the Agreement. This year the Selectmen have decided to enter into basically the same agreement and he thought it was an increase of 3% which amounted to maybe \$3,000.00 on the budget and he thought the total was either \$92,000.00 or \$92,500.00 for the year, leaving about \$20,000.00 in the fund from this year's check with services being the same as this past year. There were not a whole lot of issues at least as far as the Selectmen were concerned.

David Sordi stated the Warrant Articles given to us tonight, they are the draft ones and Earl Sires stated they are. David further asked why some Articles were gray. Earl stated those are non-profit Articles that we typically expect to see and think they are coming in but have not received the Petitions for yet. Karen (Hallowell) has put them on there because we think they are going to be on there. David stated on Article 29, the vote there is from last year and Earl stated yes. David asked on the Garage, is this the most up to date Article and Earl stated no. Bob

Drinkhall stated the newspaper was incorrect on what they printed also. Earl stated tomorrow the Selectmen will draft the final Warrant Article. Karen Umberger stated it was her understanding that the Petitions for Articles 27 and 28 were turned in in January; she did not know who got them, but she did know they were brought over at that time. Earl stated he would ask Karen to look again.

Karen Umberger asked when are we going to see the exact numbers for the budget. Earl Sires stated presumably before Wednesday night; the Selectmen meet tomorrow and he thought it was their intent to deal with all the Warrant Articles. At this point, their budget is still the same number that they submitted. When they discussed the proposal from the Budget Committee to reduce by \$125,000.00, the Selectmen agreed to reduce it by about \$30,000.00 and also asked that we kick back a question of an increase in the Police Budget of \$18,000.00 to the Budget Committee for a recommendation. Basically there was an under calculation of Retirement that lead to an \$18,000.00 under estimate of Retirement and the Chief has asked the Selectmen, and the Police Commission has recommended, an increase of \$18,000.00 to their budget. The Selectmen want to know what the Budget Committee thinks about that so it is up to you guys to talk about it.

John Edgerton stated when we were talking before about the \$36,00.00 that the School has in the their budget to supply to the Police Department and it is not in the Police budget, it is kind of tricky to know what the School is going to get passed and what the Police Department is going to have to work with. Earl Sires stated the way that it works is that the School has to budget to pay us and then we have to budget to make the expenditure. One of the reasons earlier on that it went to just being the Town was this whole double budgeting thing and people had a little concern about that because they raise the money, they tax the voters and then we get the money and then we spend it. It doesn't really have an affect on the tax rate. We are getting the revenue to offset it but it is our budget nonetheless. The advantage, of course, is that it gets partitioned out to the other towns. Chairman Bacon stated the School showed us the other night where they offset that amount of money that they are keeping and one of those offsets was Police Officer: \$37,656.00. Karen Umberger stated it was not reported in the Revenue that we got. Earl stated we haven't, but we certainly will if you want us to put it in there. John stated but you don't know if you are getting that until it has passed. Earl stated that is correct; you can predict it or we can wait for sure and we decided to wait for sure. Karen stated all revenue is anticipated; nothing is firm. Earl stated we thought this was less firm than others. John stated it is not a Warrant Article, it's in their budget so if the budget passes, it's in there flat out, you've got it. Chairman Bacon stated the School Resource Officer is at \$37,656.00. Earl stated they would put it in.

David Sordi asked if that didn't take care of the \$18,000.00 shortfall. Earl Sires stated no, still have the expenditure. David stated you had the expenditure in there anyway because you were planning on having the Officer up there; the only thing that wasn't in there was the revenue. Earl stated the answer to your question is yes and no; actually what it does is brings \$37,000.00 of new revenue into the budget and if we add an

\$18,000.00 expenditure to the budget, that new revenue partially offsets that expenditure but it doesn't reduce the budget total; the total of revenues that are raised by other sources than taxes, leaves an amount to be raised by taxes. This will reduce somewhat the amount to be raised by taxes, but it doesn't reduce the budget which is why it is a yes and no.

Karen Umberger stated as far as the money for the Retirement for the Police, to her that's a no brainer; we can smack the Chief around for messing up, but to her it should just go in there because she thought he had told us he had some other reductions so it shouldn't be a total of \$18,000.00, it should be some other number because he had reduced some other line items, not a great deal but that's why she was saying we don't really know anymore what the budget number is; this number that we have here, \$9.6 Million has had all kinds of adjustments to it, the Library came down, the Selectmen decided they were going to take \$30,000.00 and since we don't have a number right now, then to her that's just something that happened and the Chief has apologized for it and because we all know she doesn't want to talk about Retirement because it annoys her to no end as to what the State did this past year, but we've got to do what we've got to do. Chief Wagner stated he thought it was actually \$15,000.00. Karen stated whatever the number is it doesn't matter, we can't not support the retirement of anybody, that's just not right, doesn't make her happy but you can't not do it.

Bob Drinkhall asked Karen what figure she was using for a budget for the Town. Karen Umberger stated she was using the number she had, \$9,609,000.00. Bob stated with the changes that the Selectmen have made, it comes out to \$9,589,159.00. Karen stated not including whatever the figure is for the Police. Bob stated that includes the Library putting back in \$25,000.00, taking out the \$8,025.00, the Rec taking out \$600.00 and cutting the \$30,000.00. Karen stated whatever that number is, it changes the Default Budget number since we don't know what it is.

Doug Swett stated the Transit Article on the non-profit, did they ask last year. Chairman Bacon stated no. Doug stated did you notice on their Application that they had \$3,000.00 for last year. Bob Drinkhall stated originally it was their intent to ask for that when they came before the Board of Selectmen; he believes that was what discouraged them from coming to this Committee and Doug was right, it shouldn't have been there.

Earl Sires stated they need to prepare some material for the budget hearing. Are they going to prepare whatever the Selectmen come out with tomorrow and say this is what is being presented for discussion. Is that how we want to do it. Karen Umberger stated at the budget hearing you have to disclose what's out there. Earl stated he didn't know how the Committee wanted to do it. Earl Sires apologized for getting a little wound up earlier.

Lucy Philbrick asked if the Committee was interested in the end of the year figures for 2009. Earl Sires stated on the expenditure side, the Selectmen had sequestered about \$100,000.00 of the paving budget this past year and above and beyond that they ended up under spending by \$173,000.00; they have the \$100,000.00 they knew they were going to take

out and then the other \$73,000.00 is a result of a variety of things, most notably had a very good year in terms of weather and snow removal. If you look at the Highway Budget \$147,000.00 was left there out of a \$1.8 Million budget, almost 8% was left there. The Rec, because they ended up funding the Teen Center position midyear and not for a full year, they ended up with a savings there; that offset the Legal Budget which is way over in large part based on some legal cases the Selectmen are involved with tax cases and a legal settlement they ended up making over a tax sale. He was confident that next year they are not going to see that kind of a number in Legal; he would sure like to see that kind of a number in Highway at the end of the year.

Chairman Bacon asked if the savings is reflected in the upcoming budget. Earl Sires stated what happened with this money and the excess revenue or the revenue that Lucy is going to be talking about, it gets contributed to the fund balance and it becomes available for the Selectmen to use as offsetting revenue for next year. Basically they ended up with revenue above projections by about \$312,000.00 and if you add that to the \$173,000.00, they have about \$490,000.00 that will be available without even affecting the running total of the fund balance.

Lucy Philbrick stated the sheets that she passed out are just the non-tax Revenues and they ended up with \$27,000.00 extra there. In addition to that, the Selectmen have set aside money for a possible settlement for taxes which didn't happen in 2009, may happen in 2010 or may not happen at all. That's how they ended up with the extra \$200,000.00+ in tax revenues. Earl Sires stated \$200,000.00 gets carried across to continue to be there in case they have the tax case settled; it's called overlaying, when you look at the tax rate formula you will see there is a number for overlay and we had to increase that last year because of these pending tax cases; that \$200,000.00 will be carried over but that will leave \$275,000.00ish for the Selectmen to apply as Revenue for next year to offset the tax rate. Chairman Bacon asked when do the Selectmen make the decision on that. Earl stated usually in October, that's when they end up setting the tax rate.

Lucy Philbrick stated for the first time on the MS-7 there are Budget Committee recommendations for Revenue so you need to think of a number to vote on for Revenue. Karen Umberger stated that's new. Lucy stated there has always been a sheet where revenue shows but there has never been a column that says "Budget Committee Recommends". Karen stated the Revenues that we have in our book at this point, are those the Revenues the Selectmen have agreed to. Earl Sires stated the Selectmen have never really voted to set a Revenue number in the past either; the sheet you have plus \$38,000.00, that will be the number we give to the Selectmen and he thought that they are going to have to ask both the Selectmen and the Budget Committee to approve a number. Karen asked if on Wednesday do we have to vote on revenue figures and Lucy stated she would say so, that's the only way she can put in a number recommended by the Budget Committee. Chairman Bacon asked Lucy when she found this out and Lucy stated when she started to do the MS-7; she looked at last year's to make sure it wasn't there and it was not.

Karen Umberger stated the column that says "Current Year Revenue", that is the column as to what we have actually received in non-tax Revenue; do you remember what the Revenue figure projected was. Lucy stated she believed it had changed just a little because they had an actual figure for the Cable Franchise Fee, the number that she has is \$3,170,009.00 and that's before the \$36,757.00 for the School Resource Officer. Karen stated that's the number we had whenever we go it; that's the number in the book. Lucy stated she believed the only thing that has changed is the franchise fee; she had originally estimated \$115,000.00.00 and the actual figure is \$122,038.00.

Chairman Bacon thanked Lucy and Earl for coming in.

OTHER BUSINESS

Chairman Bacon mentioned the meeting Wednesday night at 6:00 PM at the Kennett High School Auditorium and suggested that everyone be there a few minutes early so that we can try to get the Default Budget done. Bob Drinkhall stated without it being noticed, it wouldn't be open to the public and that wouldn't be proper; we can't do business out of session. Chairman Bacon stated we can do it right after the Precincts. Karen Umberger stated hopefully she would make it.

Bill Masters stated he would like to go back to Warrant Article #24, White Mountain Community Health Center. He was having a problem with the budget information they submitted in terms of their rent and where they showed a line entry expense of \$59,000.00. If he understood them correctly to say there was no cash transaction at all, they didn't pay anybody; but in kind they should show that as Revenue so that it comes off as a wash; they did not do that. Chairman Bacon stated he thought they said they would make sure they do it next year. Bill stated the point that he is getting at is if that's an expense and they are not showing it as Revenue, he has a lot of questions about the rest of the creative bookkeeping.

Bob Drinkhall stated Karen had asked about the Union contract the other day and he didn't want to quote anything; however, it's in the Minutes that they just did not approve on Page 7 and if you want detail he can ramble it off. Karen stated no, she was good. Bob further stated that he wanted to clarify that on Thursday and again in Saturday's paper, the paper claimed on the Garage Bond: "The Selectmen this year will be asking voters for \$650,000.00 with \$200,000.00 coming out of existing Capital Reserve Account; they are unsure how they want to fund the remaining \$450,000.00. A Federal Grant may be available for up to \$200,000.00" The part that was left out, it wasn't really incorrect, it was just incomplete and it left out what is very important, and that is not less than \$100,000.00 will come from the Grant. That would mean if we didn't get the Grant for any reason, if we decided not to go for it or if it wasn't awarded, the most that could be spent is \$550,000.00 and he just wanted to make that very, very clear. Bob has corrected the newspaper this afternoon and it may or may not be in tomorrow; it will eventually be in but if it isn't in by tomorrow it will probably have changed again after the meeting tomorrow.

Bob Drinkhall moved, seconded by Karen Umberger, to adjourn the meeting at 7:20 PM. Motion carried unanimously.

Respectfully Submitted,

Iris A. Bowden, Recording Secretary