

**MINUTES OF MEETING  
MUNICIPAL BUDGET COMMITTEE  
January 5, 2011**

A meeting of the Municipal Budget Committee was called to order at 6:35 PM in the Meeting Room at the Conway Town Hall with the following members present: Bob Drinkhall, Doug Swett, Bill Masters, Janine McLaughlan, John Edgerton, Ray Shakir and Joe Mosca. Members excused from meeting: Linda Teagan, David Sordi, Karen Umberger and Bill Aughton. Also present: Earl Sires, Lucy Philbrick, Eric Eisele of The Daily Sun, Penny Deans, Tara Thomas, Linda Fox-Phillips and other members of the public.

Chairman Mosca asked Bob Drinkhall to lead those present in the Pledge of Allegiance.

In the absence of David Sordi, Joe Mosca chaired the meeting. Chairman Mosca asked everybody to bear with him since this was his first night in the seat as Chair. Tonight we are here to talk about several of the Town budgets; we are looking at the Assessing, Elections & Regs and the Library this evening.

TOWN REVIEW

Earl Sires began by stating good evening and happy new year and that he was going to be doing an overview of the budget. He started out by pointing out what was in the packages since there were some new members. Basically, the budget books contain a Narrative in the beginning and that starts with an Introduction and an overview of the budget, some of the highlights and lowlights depending on how you look at things, and summaries of each department. The last page of the Narrative is a spreadsheet that gives summary information on the various sub-components of the budget, 2010 Budget compared to the 2011 proposed Budget and the right-hand columns show the percentage change from 2010 to 2011 and he uses this to keep things straight in his mind. Following the Narrative on the various colored tabs is line-by-line information for each budget that shows the 2009 Budget and Actual, the 2010 Budget and year-to-date as they are still closing 2010 out, the requested Budget by the Department Heads and then what the Selectmen ended up recommending. Behind those sheets typically there is background and back up information that will be referred to at different points and it's there for consideration as the members go through all of the information.

Earl Sires stated in terms of the process for the members and for those at home, the way that the budget process works here in our Town is that the Town Manager meets with the Department Heads and comes up with a requested budget; Earl gets their information and then he processes it and works with them and forwards a recommendation to the Selectmen. Then they again meet and discuss things with the Selectmen and they, in turn, provide the Budget Committee with a recommendation; then we all sort of work and continue on talking about things and ultimately the Budget Committee holds a Public Hearing in February and decides on their recommended Budget which is what is then presented at the first session

of the Town Meeting in March. That's what's presented first to all the voters that are at the Deliberative Meeting and it's discussed there and whatever changes are or aren't made to the proposed Budget gets put on the Warrant and everybody votes on it in April. We're almost halfway through the process that they started in September.

Earl Sires proceeded with the overview of the 2011 Operating Budget for the municipal government of Conway as recommended to the Budget Committee by the Board of Selectmen. It totals \$8,819,473.00, this is a decrease of about \$110,000.00 over last year's budget. The Default Budget is \$9,085,000.00. If you compare the recommended Operating Budget to the Default Budget, the Operating Budget is \$265,000.00 less than the recommended Default Budget. Earl further stated he thought everybody in the room was familiar with the Default Budget and again, for the people at home, the Default Budget is a statutory calculation that is made under a formula that is set up, State law, and it is in essence, similar to a Cost of Living budget, you have to account for contracts that you are entered into and obligations you have that have been taken on by the voters and other things that may have gone out of your budget like a bond payment that has been paid off and so you make this calculation and you come up with the Default Budget. The Default Budget is important because if the voters reject the proposed Operating Budget, the money raised and appropriated for the Town that year defaults to this other budget. Typically, the Default Budget is less than the Operating Budget that's being considered because typically expenses and budgets tend, and usually do, increase. A couple of times over the last few years, they've been in a situation here at the Town where because things were being reduced, the Default Budget was actually higher than the proposed Operating Budget.

Earl Sires wanted to point out that the Town Government is composed of three units that have elected officials that oversee the operations and the expenditures within those units. Those units are: the Administrative or Town Departments that are under the purview of the Board of Selectmen and the Town Manager and that's all of the budgets in this packet except for Police and Library. So, Finance, Election, Registrations, Legal, Assessing and all those kinds of things are part of the actual or what they call the Administrative Budget. The Police Department, while part of the overall Town Budget, is overseen by a Police Commission that is elected and a Police Chief that reports to the elected Police Commission. The Library is managed by a Library Director under the supervision of an elected Board of Library Trustees and some of them are here tonight. So, if we look at this budget and sort of break it down into its components, the overall Operating Budget shows a decrease of 1% over last year. The Library Budget is level over last year. The Police Budget as presented in this proposal increases by 3% and the budget under the purview of the Selectmen and the Town Manager decreases by 3.3%. Combine all that and the average decrease is 1%.

Earl Sires advised that there were significant changes in the overall budget this year. To back up quickly, he mentioned that the Police Budget as presented in this document is up 3%. The request was actually up \$50,000.00 greater than that, but the Selectmen recommended a reduction in the requested amount. As you probably are aware, there was a lot of discussion over staffing and Police Officers and the upshot of that

discussion was that the Selectmen supported an additional officer in the Police Department but at the same time recommended a reduction of \$50,000.00. This is the Selectmen's recommendation and when the Police are here in a few weeks you'll hear a different presentation from them.

Ray Shakir asked Earl Sires if the Library was always a part of the Town budget or was it adopted at some point alone. Earl stated he would defer to John Edgerton. John stated he has sat on the Budget Committee for 40 years and it was there 40 years ago. Earl stated ever since they can recall it's been there; since he's been here, it's been in there. It's interesting that the situation with the Library is slightly different under the law than the situation with the Police and Penny (Deans) will correct him if he is wrong. Basically, under law, simply put, the money that is appropriated by the voters, if the Library Trustees came to the Town and said "I want a check for the total amount of our budget as appropriated this year", they would write them a check and they would go off and do their work for the year without really a whole lot of interaction with the Town financially as long as they stayed within that amount. The Police Department on the other hand is a little more closely associated in that, or he should say they don't have that provision of somewhat of a bit of autonomy, they were created by a legislative action that left a few things unclear so they're not exactly sure how they legally interact but they've agreed to cooperate over the years and there's some Letters of Understanding about how things work but, in essence, the Police Commissioners have control of the Budget and the Selectmen have their budget, but the Selectmen have control of the overall bottom line of the Town Budget so as long as there's no impact to the overall Budget from the Police Budget, things go along pretty well. There have been times in the past where there's been some friction because of that, less than 100% clear relationship. Earl further stated he gave way more information than Ray was looking for.

Bill Masters stated he had a quick question concerning the distribution of funds; what happens if the Trustees of the Library ask for the full amount budgeted and we've only collected half that amount. Earl Sires stated they would probably be obligated to give them a percentage as they collect it. Penny Deans stated it's like the School Department, they could ask for all of it but, of course, that would be ridiculous; if the money's not there, you're not going to ask for it. Earl stated the reason it doesn't work that way is that Lucy (Philbrick) and her staff do a lot of the accounting, payables and administrative work and they have other cooperative maintenance things; it just makes sense, cheaper for everyone to work together.

Chairman Mosca stated before the meeting went on if somebody's going to speak, would they state their name please and wait until they are recognized as he doesn't know everybody, other people do, but doesn't and for the Recording Secretary taking the Minutes it would be very helpful and he would appreciate that greatly.

John Edgerton stated he just noticed principal went up and interest went down by about the same amount; but you went from \$300,000.00 to \$315,000.00 in principal. At that rate, paying it off in, and it doesn't give a date like the other one, at the present time, if it keeps

increasing \$15,000.00 a year, it's going to be a lot of money. Lucy Philbrick asked John to go to Section 23, there is back up behind the first page that shows what is left for bonds and when they'll be paid.

Earl Sires stated that's kind of how we're organized. In general, significant changes in the Budget include, as far as increases, Employee Benefits are up \$44,000.00, Police Labor, almost all of the Police Budget increase is labor and that's \$85,000.00. As John (Edgerton) mentioned, they had an increase of principal on Long Term Debt. Decreases: they've decreased the Legal budget by \$20,000.00; in the Highway Department due to street lighting, the street light removal and asphalt reductions are \$75,000.00 and we'll talk about that in detail in meetings to come. Solid Waste labor almost \$110,000.00; there's been a lot of discussion and public meetings about limiting the hours at the Landfill and not replacing a person that's retiring, that's the majority of that money. General Assistance they've reduced by \$11,000.00 and they had a reduction in Debt Interest. Those are the significant issues in terms of changes. He would also note, as he mentioned, this is the Operating Budget and it totals \$8.8 Million. They've also anticipated somewhere in the neighborhood of \$900,000.00 in Warrant Articles, most of those being Capital Reserve Funds for Capital Projects and equipment. We'll talk about those in a meeting to come. That's the Overview and we can talk about the individual departments quickly or you can entertain the Library in particular at this point; however you'd like to do it.

#### LIBRARY

Tara Thomas, Library Director and Linda Fox-Phillips, Chair of the Library Board of Trustees presented the Library Budget. Ms. Thomas stated just to build upon what Earl (Sires) was saying in his Overview, as far as their relationship with the Town, the Library Board of Trustees is a body that governs the Library and it's 7 elected officials who, by statute, may not receive compensation for their position. They are indeed a unique department in the sense that they do not report to the Town Manager or the Board of Selectmen, but they have a very strong and proud history of open communication with them and in working with the Town. When you ask questions such as we could demand a check, yes while we could as Penny (Deans) pointed out, why would we. They're here for the benefit of the entire community and believe in working together and she really applauds Earl for allowing her predecessor and herself to be part of Department Head meetings and such so that they really do communicate and communicate well.

Tara Thomas proceeded by stating they actually start the budget process a month earlier. She sits down with her staff in August and comes up with a draft. It then goes to the Board of Trustees in September and, like the Selectmen, like those meetings that you see on television of the Selectmen, they hash things out and they talk and they go over and go over and go over things. Again, in the spirit of cooperation, they do present it to Earl and do present it to the Selectmen as well in November. That's kind of a quick overview of the process that they go through. As some may or may not remember, in 2010 the Library's Budget was level funded and, in order to achieve that level funding, they reduced operational hours by 4.5 hours a week and they did that from June

1<sup>st</sup> until December 31<sup>st</sup>. They also, because of the reduction of hours and reduction of staff time, they had to cut some services such as their outreach story times to children, inner Library loan service was cut back slightly because they simply couldn't answer requests fast enough. When the Trustees initially presented their Budget to the Selectmen in November, they thought after much discussion of restoring hours to a full 57 hours a week was important and, of course, one of the reasons why, the primary reason why is that people turn to their Library in difficult economic times and here in Conway it is no different as you can see from the usage statistics. They had over 111,000 people come in to use the Library in some form this year, almost 87,000 materials were borrowed, over 21,000 people used the computers, over 8,000 reference questions were asked and over 8,000 people came and utilized programs. They are being used by the community and meeting community needs. That being said, after discussion with the Selectmen and having received the Budget Committee's letter, they took another look at their budget given the fact of anticipated revenue shortfall from the Meals Tax, they decided to come in level-funded, that this was not the year to restore to fully operational hours; that they could indeed endure another year of reduced operational hours.

Tara Thomas further stated in the booklet members should have the Conway Public Library Budget 2011, revised as of November 17, 2010, and basically what they are doing is their budget is actually \$2.00 under, a fact she is very proud of. They are level funded at \$438,110.00 as far as revenue projection for 2011 and what they are going to be able to contribute for estimated revenue would be \$40,275.00 to offset the cost to taxpayers. Of course, the whole amount needs to be raised and appropriated but they are very proud of the fact they do contribute to their own budget. In order to achieve level funding, as she mentioned, they are reducing operational hours 4.5 hours a week for the entirety of 2011 and that means again that people's access to the Library is less and that staff hours are reduced; the Salaries and Wages line reflects this. The Trustees also voted to reduce the Heating line item by \$3,000.00 based on the fact they don't seem to be having such a snowy season this year, a mild winter season, so they are optimistic they will be able to not spend as much there. This, combined with about \$943.00 of operational line costs that she and her staff were able to find based on things that they determined were not absolutely necessary, brings them to level funding. Ms. Thomas asked if the members had any questions at this time that she or the Trustees could answer.

Bill Masters stated of your visitations, do other town residents use the Conway Library and, if so, do you have any idea whether or not the numbers that might be incorporated in that. Linda Fox-Phillips stated that Eaton and Albany do not have libraries; their residents come in and get Library Cards and the town reimburses them at the same rate of the Conway residents. They take their budget, divide it by the number of residents and find the approximate cost to the town per Library user and that's what they charge Eaton and Albany. When folks from other towns come in, they can buy a non-resident card and part of their annual income is non-resident usage and they do get some folks from Maine as well as folks from other outlying towns, so that is a source of income for them. Bill asked if that figure was shown in the total Operating Budget. Tara

Thomas stated it was shown in the \$40,275.00 that they offset their revenue with.

Linda Fox-Phillips stated she would like to make mention as of November, end of October, she was looking to see what their revenue was in terms of the splits. The non-resident fees were \$13,600.00 from Albany and Eaton and then from the other towns was another \$3,200.00. They charge for the copier; a lot of folks come in and use the Internet and then want copies of whatever it is they are taking a look at and so the copier is self-sustaining and that's another \$2,600.00. Bill asked if that was true for the computers and Ms. Fox-Phillips stated no; the Internet access they consider to be a very important service particularly for their fixed income seniors who can't afford Internet access. A lot of folks come in and what they do when there is a demand, folks are limited to one-half hour at a time. When there's no waiting lines, then folks can stay on as long as they wish. Bill asked how do we find out whether those are Conway residents. Ms. Thomas stated they can't and the reason why is that to be able to do something like that would require software; that would be costly to put on each computer where they (each patron) would have to put in their Library Card number in order to use the computer. Ms. Fox-Phillips stated she would also comment that throughout the United States, Public Libraries offer that as a service, so if you're traveling and, she did it this fall when visiting one of her sons, she went to their Public Library and used their Internet service for free so it's something that's a reciprocal kind of benefit that the Public Library systems offer throughout the country. Ms. Thomas stated she would add on that, that they are a tourist community in the sense that they do receive revenue in that way and they do indeed have people come in and download their Boarding Passes and do other things that they need to do while they are visiting our area. Ms. Fox-Phillips stated they also have a donations jar and very frequently they make donations as they sign in the book, it's a very low key guilt kind of thing.

Ray Shakir asked how do you acquire your computers in terms of replacement or newly acquired ones, who does your maintenance work, how do you go about getting people to do maintenance work and who does your routine geek work. Tara Thomas stated they have a computer lease. Basically, each year they pay a little less than \$11,000.00 to lease what they call terminals; they're actually not computers, they're terminals and the easiest way she could explain it as she understands it, is that they are shelves of computers, they're calling up to a much larger computer downstairs called the "server" and bringing up anything you want to work on. These terminals are much easier to take care of and therefore do not require a staff member to be taking care of the computers every moment. They do have a Reference Librarian who does trouble shoot but any major problems they have a contract with Computer Port. They pay for a yearly service block of time.

Chairman Mosca asked members for any other questions and asked Tara Thomas and Linda Fox-Phillips if they had any other comments. Ms. Thomas stated no, they like working with the Town and appreciate the Committee's role in the process. None of us have easy jobs here and this is a difficult year as all years are and they just hope for communication throughout.

Chairman Mosca thanked Tara Thomas and the Trustees for coming.

#### TOWN REVIEW

Earl Sires stated we can start going through some of the departments with Assessing, Elections and Registrations. One of the things he did neglect to point out and he thought the members were aware of it, but maybe people that are at home aren't, Lucy Philbrick, Finance Director and Earl are here presenting the Selectmen's Budget, but the Selectmen/Budget Committee member, Bob Drinkhall is also here representing the Selectmen and may well jump in at any time because he's been heavily involved in a number of these things.

Earl Sires began with the Assessing Budget. This is pretty straight forward; it is basically level funded. If you look at the 2010 Budget and the 2011 Budget, there's really not a whole lot of difference. They rely on a part-time summer person to help data checking to make sure all of the records on property are correct for two reasons: to make sure that the assessments and therefore taxes paid are correct and fair to everyone involved and also because the State requires them to have a certain level of accuracy under their certification standards that they set for them. If they fail to meet the standards and are negligent in the work, then they can actually order a re-evaluation of the entire Town which would be awfully expensive. So, other than the staff and the mapping and supplies, that's the story there.

Earl Sires proceeded with the Legal Budget that funds legal services from Hastings Law Firm in Fryeburg; they have been working with them for 10 years or so. They've reduced that budget by \$20,000.00. They have had a fair amount of activity over the last 3 or 4 years in Planning and Zoning cases and after those, they had a lot of tax assessment cases with Wal-Mart and with Fair Point, corporations that were appealing their taxes so that as you can imagine when you are dealing with corporate cases, you're dealing with corporate attorneys and legal expenses. They think that a lot of those have been resolved and they don't see a lot of that kind of stuff in the future at least at the moment. So, they are recommending a reduction of \$20,000.00 in the Legal Budget.

Earl Sires proceeded with Employee Benefits and stated Lucy (Philbrick) would be able to help there. Basically, that covers all of the health insurance and the various things like Social Security, Retirement, Sick Leave, all of that kind of stuff for most Town employees. It doesn't include Police and it doesn't include the Solid Waste Employees because they are, in essence, a part of a separate District which we will talk about when we get to that. Lucy advised nor the Library with Earl concurring. This is mostly Admin employees. One thing he will point out is that if you look at the Flex Benefit line and if you look at insurance premium charges for next year, they increased by only 1.5%. They actually had a slight decrease in their health insurance last year. The background on that and he thinks it is kind of a success story because 2 years ago they were changed by their insurance carrier which is the Local Government Center which is a Trust and he knows a lot of members are familiar with that, from being treated with a lot of other communities

that were under 100 employees to being rated largely on their own experience. For some time, they have been emphasizing working with the staff on safety training, health, trying to minimize losses and that has paid off over the last couple of years. You never know what's going to happen over the coming years; people have hip replacements and stuff like that, but they've done well he thought and have minimized the increases in the insurance over the last couple of years and are hoping to keep that up. They lucked out there in the sense that some of that work paid off. Some of the other issues involved with that Department or with that line include changes in State required contributions to Employee Benefits. That budget increases overall by 5% as he noted, Health Insurance just increased by 1.5% but in July employer, i.e. Town contributions to the State Retirement System are going to be mandated to increase from 9.16% to about 11.1% for the Admin employees; Workers Comp is going to increase by 6%; Unemployment Insurance by 6% as well and their Dental Benefit did, they offer a relatively low benefit, but it did increase by 4.5% and that line item also includes some money to fund the retirement pay out to the Solid Waste employee who is about to retire this Saturday. That's what led to the overall increase of 5%.

Earl Sires proceeded with Planning and Zoning. Basically, again they are looking at a relatively level budget, slightly decreased actually. John Edgerton asked how many fire employees are on retirement and Earl stated none of the Fire Department employees are included in the their budget, they would be included in the Precincts. Earl stated in Planning and Zoning he thought members were familiar with what that does. There is a decrease by 1%; minor increases in staff costs are offset by minor reductions in operating costs. Unless there are questions there, he wouldn't go into that too much.

Earl Sires proceeded with Government Buildings. This budget funds repairs and maintenance to all of the Town buildings with the exception of the Police Department, that's handled in their budget and the Library which is handled in their budget. This decreases by 3%. They are hoping that some efficiencies in the Garage Project will lead to some savings with heating costs and basically everything else they have tried to keep level. Again, some of the fuel costs and so on as we get to the Town Meeting in March, they can take another look at those and see how they're tracking and whether they still make sense.

Earl Sires proceeded with Insurance. This is the liability insurance, general liability, and also their automobile and vehicle fleet insurance. It increased by 6% and that's based on the actual premium increase for the year; not much they can do about that.

Earl Sires proceeded with Police and stated he was not going into that; members would hear plenty about that in a week or so.

Ray Shakir asked if the insurance carriers were periodically reviewed. Earl Sires stated they do but because they are a municipality they work with risk pools that are made up of other municipalities so they get a better rate than private insurance. They also periodically compare between those and they have been with the Local Government Center, the New Hampshire Municipal Association Local Government Risk Pool for quite

awhile because when they compare, they get the best deal there. Over the last probably as of about 4 or 5 years ago, they shifted all of their liability insurance, unemployment insurance, workers comp insurance to them because if you bundle it, you get a discount. They save tens of thousands of dollars by doing it. They do shop around.

Earl Sires proceeded with Emergency Services. There are sort of two pieces to Emergency Services and this is kind of an important thing to talk about for this year and looking at next year. The first section has to do with Ambulances and they have a 5 year Agreement with North Conway Ambulance, a private ambulance service and Conway Village Fire District, a municipal service provider, to fund them in the amount of \$77,000.00 each for each of the 5 years which adds up to \$154,000.00 through this year. In the next year or two they are going to have to start thinking about whether that still makes sense to do that. Basically, it originally started out as a sort of insurance policy to make sure that there was coverage in the Town. He supposes the debate will be: is there enough activity and enough business in Town now to support particularly private enterprise without having governmental support and we'll find out the answer on that when the voters vote on something in a couple of years. They don't, per se, provide ambulance service, but they do provide funding in support of ambulance service. The other sections of this have to do with some support for Emergency Management which is relatively a minor amount of about \$6,000.00 in total. The Conway Village Fire District Chief, Steve Solomon, serves as the Emergency Management Director and he is on a stipend of \$4,800.00 or \$400.00 a month to do that. The biggest item in this budget is what's called the Non-Precinct Fire Agreement and that's \$262,000.00 and that's only paid by those of us in Town who don't live within a Precinct. What that does is since they don't have a fire service provider and since the Town doesn't provide it, they contract with two of the Precincts, Conway Village and North Conway, to provide all of the fire service. They split the Town to north and south as you might imagine, and at Earl's house Conway Village would show up and at Ray's (Shakir) house North Conway would show up. He did not go into the formula, but it is basically a formula for funding that's based on total assessed value. Just like other things, they've come up with the cost of fire service from the Precincts and figure out what an individual property owner should pay based on a property tax assessment basically. Earl stated the rate for this year was \$.84 per thousand. It's a pretty good deal; the formula works pretty well for those that don't live in a Precinct, they get fire service through this arrangement and it's based on the last year's budgets; they come up with an assessment, that assessment yields an amount to be paid by those that don't live in Precincts. The formula information is included behind that budget.

Earl Sires proceeded with Inspections. This has to do with the Building Inspector. It funds a Building Inspector and part of a receptionist position, so it's salaries and a little bit of money for expenses and books and so on. It is slightly down by a few hundred dollars. There is not a whole lot of complexity to that budget.

Earl Sires proceeded with Highway. Other than just highlighting the fact that the budget decreases by 4%, Paul (DegliAngeli) will be here at a subsequent meeting to go over some of the details of this budget but, for

now, there is a 4% reduction, mainly resulting from the fact that they reduced Asphalt - they are going to do a little less paving, and about 180 street lights are in the process of being turned off and there has been a lot of public discussion about that so he wouldn't go into it. The lights within the New Hampshire Electric Cooperative service district have been turned off, largely North Conway. The Public Service of New Hampshire service area over the next week or two will be turned off. That's a savings of somewhere in the neighborhood of \$40,000.00. Bob Drinkhall stated they are not being charged because Public Service didn't turn them off by the 3<sup>rd</sup>.

Earl Sires proceeded with Solid Waste. That department decreases significantly this year, 15%. They are looking at a reduction of about \$100,000.00 which is largely staffing costs. In a summary, they are in the process of holding Public Hearings to talk about eliminating overtime which equals an elimination at this point anyway of operating hours on Sunday, that's about \$44,000.00. Also, the plan is to not replace a retiring employee and to try to readjust staffing and responsibilities to cover operations hopefully at the same level but without replacing that employee. A lot of that was driven by the Selectmen talking about potential reductions in State funding, but they won't really know if that is going to happen until mid year and they didn't think it made a lot of sense or that it was really fair to someone to hire them when they are looking at the possibilities of layoffs or some kind of reductions mid year so they have held off filling that position. It will have impact to some extent to the operation of the Transfer Station and also to plowing and snow removal because one of the people who will be trying to cross-train and fill in some of the Guard Shack, the Entry House duties was a shared position with Highway to do some of the winter plowing and now he won't be able to do that so Highway will have to take up some of that slack and so will the Landfill. So, they are going to give it a try to see if they can make it work. If it works, they will have accomplished some pretty significant savings.

Chairman Mosca asked how realistic is it to close on Sundays when there's a line at the dump around the corner and a half mile long on Sunday morning. Earl Sires stated that was a good question and that's kind of what is being talked about at the Public Hearings and the first one was held last night and there was definitely, there weren't a lot of people, but the opinion was, and has been to the Selectmen, there is a lot of concern about closing on Sunday. The Selectmen have asked Earl to look at a couple of other options for staffing and hours and so forth. They are doing that and once the Public Hearing process is over, the Selectmen will sit down and decide what to do.

Bill Masters asked if they were considering putting a hiring freeze on except for critical positions. Earl Sires stated they hadn't done it formally, but he couldn't imagine they were going to do any hiring within the next 6 months if somebody leaves. When he says "we", he means himself and the Selectmen, unless it was a position that they just felt like they couldn't live without. Regardless, they would probably try to push that off until July anyway. Bill stated he was concerned with the potential of not receiving all of the aid from the State. Earl stated they were going to keep things pretty tight.

Ray Shakir asked if there were any Town services contracted out. Earl Sires stated yes, they contract a variety of things out. Some of the things they contract out are: equipment to do snow removal, they have a contract with the snow removal from sidewalks in North Conway, they contract for some of the maintenance at the Landfill, they contract their computer support, they contract their janitorial, they contract legal services and there are others. Ray stated he wasn't talking about routine maintenance; to be specific, asphalt paving to top roadways. Earl stated yes, they contract out, depending on the job. When Paul (DegliAngeli) is here, he can give you a lot of the rationale and a lot of the details, but they do contract for that sort of work quite often. At the same time, the crews do construction work as well in the summer. Even when they contract out, they are and Paul is, heavily involved in managing the projects and monitor it because it makes good sense and they get good work that way.

Earl Sires proceeded with Health. It is a relatively small budget of \$3,200.00. They have a Health Officer who gets involved time to time with things like septic systems and maybe restaurant health issues but not on a day-to-day or very active basis as you can imagine with the stipend of \$1,500.00 for the Health Officer and \$250.00 for any kind of assistant he might need at some point. On Health Kennel Fees, they have a relationship with what was the Human Society, now Animal Rescue League North, for animals that the Animal Control Officer out of the Police Department may need to have impounded and that's monies that go for that and there's a sort of formula for how that works and how long they pay for it and all that kind of stuff. Chairman Mosca asked if the request from the Department was \$1,500.00 for a Health Officer, why did the Selectmen increase it to \$1,750.00. Earl stated because they forgot there was \$250.00 in there for an assistant.

Earl Sires proceeded with Welfare or General Assistance. This is unique to New England wherein State law provides that local towns actually provide general assistance or welfare to residents of the community that are in need and the residents whom we serve must qualify financially and they only serve those that qualify financially. They have a full-time person that administers that department so you will see Admin is that; they have some Office Expenses, Dues and so on and then the Welfare General line of \$35,000.00 requested this year is what funds of actual assistance they provide. There was a question at the meeting in September of why do we pay somebody to give out relatively little in assistance and his answer to that is: that's exactly right; what they have found is that they had a half-time officer in the past and way more money was given out in assistance because the person couldn't screen people and couldn't work with other agencies to try and get them to take care of the people so that the Town wouldn't necessarily incur the expense. What they have found by having a full-time person is that you spend more money on the person because they do just what he said: they screen people, they work with people and make sure ultimately only assisting people that are a) qualified and that they are mandated to assist, and b) those that can't find help some where else in town. She works very closely with other social service agencies and with the client to try and hook them up with services so that we can reserve the monies that we have for those that

are qualified and in need of our services. We are suppose to be sort of a stop gap service. It's kind of interesting historically, this has been going on since the late 1700's and if you look in Town records in those days, somebody at Town meeting would stand up and volunteer to take care of, they called it assistance of the poor back then, and in those days it would be a farm person and they would give people that were in need during the year a basket of corn or chickens or whatever it was. So, it's involved from that to a fairly complicated service that they are mandated to provide.

Earl Sires proceeded with Parks and Recreation. John Eastman will come and talk to the Committee about this budget. There is a little bit of twist in his budget in that it decreases by 1%. What they are talking about there is not having Life Guards at the beach; he should put it in the positive and state they are only having Life Guards at the beach when they are doing Swim Lessons because for liability reasons they must have Life Guards there, but they don't plan to have them when there is just general swimming. The reasons for that are really a couple of things: 1) financial; 2) it gets harder and harder to find people to do the work; and 3) the requirements for liability purposes get more and more complicated, it's one of those things where because there's been so many law suits it's almost impossible and financially impossible now for towns, it's not impossible, it becomes harder and harder for towns to provide Life Guards because the liability is so severe that there has to be two on at all times now and they can't do anything but look at the water. They used to have the Life Guards clean up and rake and maintain the facilities while they were there; can't do that anymore and towns are exposed to a lot of liability. Unfortunately, sadly, there is a lot less liability if you don't provide the service. Their rationale also includes the fact that they don't provide Life Guard services at any other swimming areas, i.e. First Bridge where kids are jumping off the bridge and Davis Park has the beach at the river and the river situation is inherently less safe than swimming around in a relatively still lake. They are also going to trim up the season for one of the summer labor people; they will just work less and they will get a little less done, but they think they can handle it. The other thing they will talk about when John is here to just give the members a heads up, Recreation is actually funded out of two different checking accounts, if you want to look at it that way. One is the General Fund which funds most of the departments and the other is a Recreation Revolving Fund which was established a few years ago and it functions as a way to cover recreation expenses through fees so all of the fees they charge for the various programs and services go into this fund and they go back directly to fund recreation. It reduces the impact that department has on taxes. Again, we will talk a little bit more on that with John.

Earl Sires proceeded with Patriotic Purposes. This is funding for several patriotic events during the year; they fund to have flags put out for Memorial Day, Veteran's Day as well and there's funding for the 4<sup>th</sup> of July which is primarily fireworks. They raise money through contributions for the entertainment and the other things that go on during that day, but they do have money in there for the fireworks.

Earl Sires proceeded with the Conservation Commission. The Conservation Commission is appointed by the Selectmen and they oversee the Town open space, common land and forests and that kind of stuff. Their budget is level and they would be happy to come in and speak directly to the Committee. In their section, there is a list of the projects that they anticipate taking care of this year and it's really things like trail maintenance and work in Whitaker Woods, clearing in Shed Woods and some wild life work at the common lands on Hurricane Mountain and those kinds of things. The Town gets a real return on their volunteer efforts. John Edgerton asked if they were selling timber. Earl stated they do from time to time, but they don't and haven't had any cuts over the last few years.

Earl Sires proceeded with the Debt Lines. There are a number of bonds that are still being paid on. Lucy Philbrick stated there are only two left, the Library and the Landfill; the Landfill is paid off in 2011. Earl further stated that after this coming year, we will be down about \$300,000.00+ in the Long Term Debt which gives us a little breathing room. Not much you can do there, it's all based on the debt and the payment schedule and all that kind of stuff. Only one other little tweaky thing at the bottom: Debt Interest on TANS, Tax Anticipation Notes, it's a financing vehicle for municipalities, low interest loans in essence from the State so we need to have a little bit of money in there to service the fees associated with that and that really has to do with the fact that the Town is required by law to collect all of the monies that are paid by the taxpayers and then distribute them to the entities that request them, i.e. the School and so on. At times, the School may need "x" amount of money and we don't have the cash, so it's a bridge for cash flow purposes. John Edgerton asked if they were using a bond bank exclusively now. Lucy Philbrick stated they are not. John asked if they were going out to bid and Lucy stated they were and that this particular year it was Laconia Savings Bank.

Earl Sires proceeded with the Executive Budget. That is the budget that a lot of the Administrative, Selectmen, Town Manager, Budget Committee kind of things are funded with; decreased by 3%. They are reducing printing costs, telephone costs, and maintenance; not a lot of change there. They have steadily been reducing the cost of the Town Reports over the last few years, keeping an eye on how many are actually picked up and taken off and reducing the numbers. That particular industry has gotten heavily competitive because the people need the work. This has the Selectmen, the Budget Committee, some of the other elected officials, Police Commissioners, Trustees of the Trust Fund, Town Manager's salary, mileage for the Selectmen and Earl's office, Dues and so forth. It also funds the Executive Secretary that works with Earl and the Selectmen and the office expenses for all of that and that's down by about \$7,000.00.

Lucy Philbrick proceeded with Elections and Registrations. It is Lucy's understanding that it is down because there are going to be fewer elections in 2011 than what they had in 2010. Earl Sires stated that is the major change. This has the Town Clerk and some of her expenses. Ms. Philbrick stated it includes half of a Clerk and a full-time person and a part-time person and the salaries.

Lucy Philbrick proceeded with Finance. It is pretty much level; the salaries include herself and her bookkeeper and they have half of the Town Clerk/Tax Collector and one full-time person from that office. Their computers are in the Finance line. Earl Sires stated in anticipation of a question or at least to follow up on a question earlier, they have a replacement schedule where they try to rotate machines out every 3 or 4 years and North Ledge Technology does their support. They get a pretty good deal with them, they do a good job and they don't have a lot of network and server problems where they are in all of the time. Their network seems to work pretty well and they have some other maintenance contracts with software and that kind of stuff that is in that budget.

Earl Sires stated that's kind of the basic run through and as he mentioned, the Police will be here, Paul D. will be here to talk about the Solid Waste Landfill and Highway, and John Eastman will be here to talk in detail about Recreation and then after that he would anticipate that is one other meeting and then follow up with questions and detail or whatever the members may want to do.

Bill Masters asked about the Warrant Articles; none of this includes any of the Warrant Articles. Earl Sires stated as he mentioned the estimate right now and part of it is an estimate because they are not sure what's coming in from non-profits and that sort of stuff, but if it tracks with last year and knowing what's being proposed, somewhere around \$930,000.00 or \$940,000.00 in Warrant Articles. The majority are the Capital Reserve Funds that fund vehicle replacement, Solid Waste, and in the Highway it funds infrastructure projects, the road projects they have going on and also building maintenance and police vehicles. So there are 5 or 6 Capital Reserve Funds that comprise most of that \$900,000.00.

Bill Masters asked Earl Sires to give his best guesstimate as to what we have here and the Warrant Articles as to the impact on the current tax rate. He would like to have some feel of what kind of impact there is on the existing tax rate. Earl stated he hated to do this because it involves a lot of assumptions about a number of different things they don't know about, even in some cases more than a year from now, like revenue for 2011, what the assessed values are going to look like, what does or doesn't get approved by the voters, but if you go through the exercise using the proposed budget and using all of the Warrant Articles, and he should say that the total Warrant Articles is almost \$1.2 Million because in addition to the ones that he mentioned, you have the non-profits that are typically requested and also the Valley Vision Article for the PEG TV Fund even though it doesn't have a tax impact because it is funded by revenue from the Cable Contract, it is still included in the total of Warrant Articles. Earl stated with an \$8.8 Million Operating Budget, \$1.2 Million in Warrant Articles, subtract out the Non-Precinct Fire Agreement because only people who live in certain parts of Town pay that, you end up with about \$9.8 Million or \$9.9 Million as the gross budget. For Revenues, they are looking at just over \$3 Million in non-tax revenue, that's down slightly from the year before and they are hoping it is kind of bottoming out in this trend they have been in for the last few years of declining non-tax revenue. At any rate, to end up with a net appropriation amount you have to include some funding for Veteran's tax credits and for other tax appeals, you end up with needing about \$7

Million as opposed to \$6.8 Million last year. Earl pointed out that this calculation and he can make copies of it for the members at the next meeting, one of the things traditionally they have been able to do at least for the last 10 years is use monies that they contribute to the balance at the end of the budget year to offset revenue in the coming year. Sometimes it has been as much as \$600,000.00, sometimes a couple of hundred thousand dollars. The calculation estimates using \$300,000.00 of monies that they would contribute. All that being said and noting that one of the Warrant Articles is the Selectmen have decided to go forward with trying to finish the roof at the Garage, so there's a couple hundred thousand in there for that. All of that stuff packaged would yield a tax rate, if these numbers are close to being accurate, of about \$5.12 and that's up \$.16 from 2010. On a percentage basis, that's not a huge percentage. The other thing to keep in mind is for every \$100,000.00 movement in this calculation, it changes the tax rate by \$.08; so if you had \$200,000.00 less, they would be estimating a relatively level tax rate. Again, one of the other major assumptions is that property values don't decline because declining values create an increased tax rate, all of the things being equal, because you have less value to divide the same amount of money by. Bob Drinkhall stated even though the tax rate is higher, you're still paying the same amount.

Bill Masters asked Earl Sires to bring to the next meeting the worse case scenario and best case scenario based upon the guesstimates. Earl stated the worse case scenario would be no revenue from the State at this point and what he could say because someone at the Selectmen's meeting last night asked what's the plan for that; well, it's fairly in some ways simple with that order of magnitude you're talking about staff reductions. If it goes the way it typically goes, part-timers, it's layoffs, reductions in hours of work, all of those things, that's what it is. Bob Drinkhall stated the big problem with that is by the time you know you don't get that money, we've already raised and appropriated because it's already been voted on. Hence, even if they cut, they still have to get that money from the tax rate. Bill stated a conservative would be non filling of vacant positions; he doesn't like reductions in forces if you can manage it otherwise because it just disrupts everything. Earl stated his main point there is the worse case scenario is that the State Aid doesn't come through and it becomes significant. The one thing he would say is that looking at 2010 and he didn't want to give members any firm numbers yet because they are still closing the year out, but due to the weather, it looks like in the Highway Department, he didn't think they were out doing much after the middle to late February and they haven't done a whole lot this fall, so they are a couple hundred thousand dollars under in Public Works and have lucked out in a couple of other areas and so they are going to easily be able to fund this commitment of \$300,000.00 to next year's revenue without affecting the existing fund balance. They lucked out this year and one of the things they might want to think about is if they do have a significant contribution to the fund balance for year end 2010, when they get to tax rate setting time in October of 2011, the Selectmen can choose to add more of the fund balance to that year's revenue which is the way to manage the fact that you don't know if you're getting this money until the middle of the year, if that makes any sense. You still have to raise and appropriate all of the money budgeted, say they have a gap of

\$300,000.00 and one way to handle that gap for that year is to use the fund balance that you accumulated from the prior year. That may be a bit confusing and we can go over it in more detail at some point.

Bill Masters asked if they have the reserves to be able to deal with stuff like that. Earl Sires stated if the year ends as well as they are hoping it will, they will have the reserves to deal with some of it. Maybe one way to look at it is if we can handle half of the year by doing that of \$200,000.00, then the changes they make in staffing or expenses in the second half of the year or \$200,000.00 and that gives them the \$400,000.00 that they need to adjust by. It would impact all of us if that happens. It's already kind of impacting, they did limit increases in salary for staff this year already, 2010 not 2011.

Earl Sires stated in closing, the Selectmen heard the message from the Budget Committee, level and hopefully 5% reduction, they are at a 1% reduction overall. Earl feels like their Admin component has really stepped up and they are at 3.3% reduction and thinks they are making the progress that they need to make on behalf of the people that are in that section.

Chairman Mosca thanked Earl Sires and Lucy Philbrick for coming in and for their presentation. Earl stated they will have the Capital Reserve Funds and all of the Warrant Articles and all that stuff in a couple of meetings; the Selectmen are still finishing up. John Edgerton stated Public Works and Recreation are really the only sections that Earl didn't do besides the Police and it could be the whole meeting on the 10<sup>th</sup>. After discussion, John recommended Recreation and Public Works on that night and that finishes the Town. Chairman stated other than the Police. Bill Masters stated he needed a real good estimate of revenues so the members can see what we know is coming and what we hope is coming.

Bob Drinkhall stated as Earl (Sires) said, there was the budget that was presented by the Department Heads and he worked that over and reduced that; then we, as Selectmen, worked that over to come up with the figure that you saw tonight. In addition to what Earl had taken out, Larry (Martin) was the one that suggested the cuts at the Landfill and also one of the cuts that was not mentioned was some of the overtime in this building also and that totaled well over \$40,000.00. Bob made proposals that they cut a total of \$132,270.00 of which they agreed to \$110,705.00, so it has been worked over and over and over and it is a very lean budget, there's no question about it and he thought it was a very fair budget.

John Edgerton stated he thought the Town overall had done an outstanding job on the budget. They have worked very hard and he thought this was one of the best budgets they have had. The Town has always had a good budget; this time they've worked very hard at it.

Ray Shakir stated there was no question that they showed a very, very, very, very solid effort in trying to maintain a common sense budget and there is very little fat in there and very little room for criticism at all and there was very little doubt about that. Just by day-to-day living

in the Town you can see they are very, very efficient in what they do and he thought Earl was doing a great job.

Bob Drinkhall stated one other quick point and he got this figure yesterday; the unpaid taxes, the overdue taxes which includes all years continues to creep up a little bit. Now, it's always the highest the month after the taxes are due because some people will pay fairly soon, but just as an example, on 12-31-09 it was \$2.7 Million; on 7-31, again after half year taxes were paid, it was \$2.6 Million; and right now the figure he was given is a little over \$2.8 Million, so it keeps creeping up, but it's not terrible.

Doug Swett stated the money that they are anticipating and hoping they get by June from the State, or if they get it this year you can almost bet you're not going to get it next year. So, what are you going to cut then. Bob Drinkhall stated a motion was made at the recent meeting that they cut in anticipation of that, but it was voted down and, as he said, by the time they get to that point, it isn't going to change the tax rate. Even if they don't spend the money, they still have to raise it because by then it will have been voted on by the voters/taxpayers in which case nothing changes for this particular year. Doug stated unless next year you can convince somebody that you probably won't get it and Bob stated true. Doug stated you hear talk all the time among politicians about when are they going to bite the bullet and it's getting louder now; he doesn't know if they'll bite it, they may just rather fight than do business and on the State level it's the same thing. It's going to be a rough year. Bob Drinkhall stated it's going to hit sooner or later, it has to with all the debt that's been accrued.

Doug Swett stated in the Depression, his father was a principal of the school and they cut his wages retroactively back 6 months and it was 11 years later when he came back to the figure they cut him back from.

#### OLD BUSINESS

John Edgerton stated the papers that he passed out have to be re-written because it has to be written for two separate budgets, one for the School Department and one for the Town.

**Bob Drinkhall moved, seconded by John Edgerton, to adjourn the meeting at 8:00 PM. Motion carried unanimously.**

Respectfully Submitted,

Iris A. Bowden, Recording Secretary