

**MUNICIPAL BUDGET COMMITTEE  
WORKSHOP NOTES  
January 10, 2011**

A Workshop of the Municipal Budget Committee began at 6:35 PM in the Meeting Room at the Conway Town Hall with the following members present: Chairman David Sordi, Bob Drinkhall, Doug Swett, Bill Masters and Karen Umberger. Also present: Earl Sires, Lucy Philbrick, Eric Eisele of The Daily Sun, Paul DegliAngeli, John Eastman and members of the public.

Chairman Sordi asked Karen Umberger to lead those present in the Pledge of Allegiance.

Chairman Sordi advised that there was not a quorum and therefore could not have an official meeting. He received a couple of calls today from members that were unable to make it for various personal reasons. That being said, there would be open discussion; there are people here that have taken their time to come in and talk about their budgets so those present are going to discuss it; we aren't going to be able to take any action on it, but basically this is the chance for us to talk to the various teams that are here tonight about their 2011 budget. Members will probably be hearing more from Chairman Sordi this week about how we can make sure that this doesn't happen again. He has to talk to a couple of people first that weren't able to make it tonight. But, before we start, just from a personal note, Chairman wanted to offer his thoughts and prayers to the people that were involved in the incident out in Arizona, the people that were shot at the political rally. It's the second time in the last three or four months where we've had incidents at political events whether it's a Town Meeting where someone pulled a gun out or whether it was an event like it was in Arizona and we're getting in to a budget season where already there's a lot of rhetoric in the newspapers and he just wanted to remind everyone that we're all trying to get to the same end point which is to grow our community and make it as good as possible. But, his thoughts and prayers are out to the families and to the people involved in the shooting in Arizona.

Earl Sires stated they have Public Works and Recreation and, if there is time and the Committee would like to do it, we can cover the Capital Reserve Funds in addition to the Public Works and the Recreation Operating Budgets.

PUBLIC WORKS

Paul DegliAngeli stated this is his 19<sup>th</sup> budget and he had never been to a meeting this small. He is going to take that as a vote of confidence in the Public Works Budget. He has good news and bad news; the good news is that their request in Solid Waste is 15% below last year's request.

Karen Umberger stated she would like Paul DegliAngeli to explain how he got there. Paul stated the Solid Waste Budget has a reduction this year in labor; they had a reduction through attrition and essentially they are talking about labor. Labor is reduced in two ways: one, they had an

attrition from a position and two, the Selectmen have proposed closing on Sundays. The employees all work 6 days a week and Sunday is always overtime.

Doug Swett stated he was at a meeting the other day when the Selectmen were discussing this and they are going to do something more on the 25<sup>th</sup> of January. He just wanted to put out there that this is a tourist town with a lot of vacation homes and you bring people up here and it's going to be closed Saturday and Sunday which road are they going to dump in. Bob Drinkhall stated they are not closed on Saturday. Doug further stated their weekend ends on Sunday night and he didn't know if it was going to cause problems or not.

Chairman Sordi stated a 15% reduction over last year's budget number, of the actual that you had; you have \$617,000.00 for 2010 actual, is that accurate or is it through the end of November. Lucy Philbrick stated if you look at the date at the top of the report, it is as of the 16<sup>th</sup> of December. Chairman stated the actual is going to be pretty close to what the budget is or what the request is that the Selectmen have approved. Paul DegliAngeli stated that's possible, it would be a coincidence. The reason the budget actuals are off, again if you look down, mostly you are going to see Diesel and Gas and all can appreciate the roller coaster we were on with fuel. Landfill materials, more on that discussion when we talk about Capital Reserves Expansion and Closure. There was a large number of landfill materials that he did not have to purchase because of the reduction in trash. They did not fund the Solid Waste Attendant position this year, should have said the Recycling Attendant, the person stationed at the windows. When the Selectmen made the decision to make recycling mandatory versus voluntary, the thinking there was when we forced recycling, our trash went from 10,000 tons a year to the current level of 3,500 tons a year; but the recycling didn't go up. What that told them was that everyone who was afraid of getting a fine left so they are paying a commercial hauler to haul the material out of town and everybody who is coming is already recycling so it stayed even. The rationale is these are folks who were recycling before there was enforcement so they've saved that money and they continue to measure and see whether we are holding our own or if there is a slippage. It was worthwhile to try. These are some of the reasons right off the top of his head as he looks across line items to explain why their budget and their actual is off. The budget is always a plan; we can't know what the weather is going to be, we'll see that in spades when we see Highway. One year they spent \$196,000.00 in salt; the year after that they spent \$68,000.00 in salt. The methods were the same, it just depends on the weather for the year.

Karen Umberger stated she had two questions; the first is probably pretty easy: what is the percentage that Conway actually pays for Solid Waste. Paul DegliAngeli stated versus the other towns in the District, Conway is paying 87.17%, Albany is paying 6.44% and Eaton is paying 6.39%. Karen stated her second question deals with traffic at the Landfill/Transfer Station, has anyone measured the actual traffic on the various days to determine if the least amount of traffic is on Sunday, realizing that they are open for 4 hours as opposed to the other days. During the 4 hours that they happen to be open, have they measured to see what the

usage is on that particular time frame as opposed to that same time frame on a Wednesday. Paul stated it was a complicated answer; yes, they have measured the traffic and he didn't have those figures with him, but he could provide them to the members before their next meeting. Two, they have a very low traffic counter so it requires that they view it within a 24 hour period and they usually use an intern to do that; he would check it at the end of the day Friday and not check it again until before they open on Monday, so that gives a combined Saturday and Sunday. Having said that, Tuesdays are their busiest day, when they have the commercials. Now, without them because of enforcement, Saturdays have become their busiest day and their second day is Tuesday. Saturday is much busier than Sunday according to staff; the slowest day, for whatever the reason, seems to be Wednesday.

Chairman Sordi stated the reason he heard that they were thinking of closing on Sunday, it seemed pretty compelling at least when it was explained to him because he was under the same reaction as everybody else of "what are you closing on Sunday for, that's going to be a busy day", but it is his understanding, according to the Contract, the workers have to get two days off in a row. Paul DegliAngeli stated that was correct and the Selectmen asked for cost saving measures or income generating measures and there were other things discussed; they talked about the potential to charge annually for the Solid Waste sticker. Once again, there are many people paying a commercial hauler to haul their trash out of town and they are all paying their taxes too, so should we charge a one-time annual fee for the sticker; \$10.00 for the sticker with this many people using it. They have a lot of visitors as Mr. Swett pointed out, they turn people away when they show up, they're vacationers and don't have a pass. Should they collect money for a one day pass; generating income is as good as reducing costs. The reason Sunday is the low fruit on the tree is that they are working half a day, 4 hours, and for those 4 hours, we're paying for 6 because it's above 40 in the week. The Contract requires that they have two consecutive days off, but it doesn't require that it be a weekend day. It is his understanding that the Selectmen are now considering closing Tuesdays and Wednesdays or Monday and Tuesdays. Chairman stated it would be nice to give the people that work there at least one day off on the weekend. Paul stated let's just think about that for the public and the Selectmen, if you're going to close Monday, Tuesday those guys currently work half a day on a Sunday so they get to spend the afternoon with their families. If you don't work Monday and Tuesday and, by Contract, we owe them a 40 hour week, now they'll be working all day Saturday and all day Sunday unless they come up with other variations and it is his understanding that's to be discussed at the next Selectmen's meeting.

Earl Sires stated they are, the Selectmen, going through a process where they are holding public hearings and taking comment. This is a budget number at this point, it's the proposal at this point, but they are taking public comment and won't make a final decision until they have their second public hearing. The other way this thing sort of evolved was that the Selectmen were adamant that they start looking at ways to control costs and obviously the most significant costs they have for the most part in almost every department is staffing. A couple of things happened, one they started looking at things and said they were going to

start trimming labor costs; overtime that you can manage to do without by rearranging schedules and that was one of the first things looked at and it happened to be Solid Waste. They still have overtime that they allocate for snow removal and so on in the winter but that's hard to schedule around so you kind of have that overtime. The other thing that happened was they had a gentleman retire and they've kicked it around and finally decided, particularly in light of some of the revenue questions out there this year, it didn't make a whole lot of sense to hire someone when there was a real question on whether they would continue to fund that or other positions for the entire year. Both of those things kind of landed on Solid Waste as they started looking at a more general approach to revenue reduction.

Karen Umberger stated the current labor Contract requires two days in a row off; is the Contract up for negotiation this year. Earl Sires stated no, it's up in 2012. Karen stated so the first opportunity to see if there couldn't be some flexibility in non-working time would be next year. Earl Sires stated that was correct.

Bob Drinkhall stated there was one other point he wanted to make and that was due to the fact that they've had overtime for as long as they can remember, at least for as long as he has been involved, with that being taken away from their income, they were asked what day they wanted not to have to work, whether it be Tuesday or Sunday and, of course, they chose Sunday. Remember, they have been getting their overtime on a regular basis and now they won't. Paul DegliAngeli stated Bob brings up a good point and there is maybe a subtle issue there that members don't quite see. The Contract requires they get two consecutive days off and for 20 years they haven't had their two consecutive days off. They work half a day and have been compensated for it by giving them time and a half. As Earl said, it's a process and there are lots of options; it's not yet settled.

#### HIGHWAY DEPARTMENT

Paul DegliAngeli stated he promised good news and bad news; the good news is that Solid Waste is 15% below last year's request. The bad news is that Highway is only 4% below last year's request. In anticipating Karen's (Umberger) question on how did we do it, this one was not entirely by Labor, members will see that the Labor is almost level and that's because when they reduced the Solid Waste position, they could no longer afford to take that person and share him with Highway during snow storms, so they effectively plan to have one less plow truck on the road during snow storms which, if it ever snows again, may affect us but currently it hasn't worked out so badly and you can see that in the Labor. The large items that contribute to the 4% reduction are \$30,000.00 was taken out of Pavement and the street lights, you have read about that, half of them were shut off and \$50,000.00 has been taken there.

Karen Umberger stated she assumes there is some place in the book with the Paving Plan. Paul DegliAngeli stated there is and, of course, the Paving Plan is no longer part of the Operating Budget. The Budget Committee had raised issues last year, so it's a Capital Reserve. Karen stated she thought Paving was Highway Maintenance, not Capital Reserve.

Paul stated she was correct, it's just they put them on the same sheet because of the coordination between base pavement and top pavement and the requirement to separate the two by a year in some instances. Karen stated what her concern is if they are reducing Paving by \$30,000.00, she was concerned about the impact of that and whether or not they are lengthening streets that they had planned to pave or how they are going to come up with that \$30,000.00 in savings. Paul stated the request from the Department was higher, so your concerns are valid. Karen stated all of the "O" things are the Pavement Plan, is that correct. Paul stated yes; the sheet is split into an upper half and a lower half; the upper half is Capital Reconstruction and the lower half is Pavement Maintenance. It's that lower half that is the Operating Budget. Members can see for 2012 he has put \$386,000.00 back in; the 2011 request was \$386,000.00 also but it was reduced to \$350,000.00. Karen stated the Projects listed are the ones that are going to be done for 2011. Paul stated members could see the money that's remaining, this is a long term plan, the money that's remaining is not much margin on a percentage basis; so anything unanticipated, cold patch, that all comes out of Pavement. He had to keep pace with the Precinct and the District, they were doing water and sewer projects and we have to keep pace with that; we'd be shooting ourselves in the foot not to; they're paving with \$.20 Conway dollars and \$.80 Federal dollars and so the contingency margins have been reduced in order to hit that mark of the reduction.

Chairman Sordi asked if the Town had heard from the suppliers of asphalt of what the prices are going to be come Springtime given the increase of the cost of fuel. Paul DegliAngeli stated there's a bit of monopoly in pavement here in the north country, it's the big white elephant out there. Last year, 2009, they saw a huge jump percentage wise in paving costs. For the 2011 season, they solicited bids from further afield; at the end of 2010 for unanticipated, unplanned work, they were able to pull in some paving contractors to give bids from Lewiston, Maine and from Eliot, Maine. The local contractors took notice of that; there were projects and locations that were a good profile; there was a reduction in fuel costs, yet the pavement prices stayed high. In 2010 they say their Pavement prices return to below 2009 and 2008 pricing; they wanted to get it back into their back yard. He can't tell the Committee what's going to happen because, as he said, there isn't a whole lot of competition here in the north country for this particular service.

Karen Umberger stated she noticed under Capital Construction there is Tasker Hill Road and then down in the Overlay they have Tasker Hill Road; so, they are not associating all of the costs of construction with the Capital Reserve, rather splitting it between Capital Reserve and Maintenance. Paul DegliAngeli stated that was correct; in this case there is no utility, no District, no infrastructure; this is completely a Highway Project. In this case, it's just a road bed rebuilding and he was not concerned about the settling and there's reason to split the pavement between two years, the Overlay and the Base. Further, he is not at the mercy of contractors, the Precinct's or the District's contractors' schedule since this is a project that he will administer. He didn't have enough money to put it all in one place and run out for future Capital Reserve Projects. So, they put the Overlay there. Karen stated she was not sure she would agree with that, but okay. Paul stated it's a good

point and well taken. Karen stated it's hiding the true costs of the reconstruction of Tasker Hill. Paul agreed; fortunately he was presenting it on the same page and it was being discussed and, hopefully, nobody thought he was trying to do anything underhanded. Karen stated she didn't say he was trying to do anything underhanded, she just said that the true cost of redoing Tasker Hill is not \$315,000.00, it's \$435,000.00. Paul agreed and stated that the other items with Tasker Hill are in bold, that means they are coordinated with a Precinct or a District; members can see that the remaining money, if all goes well, is still \$300,000.00. Truly, he could have put it up there but as they go out, they are trying to keep a certain level because he doesn't know what the District and the Precinct are going to do. He knows that they have projects that are under design, and he knows that the other money has not been continued past 2011 and he is not sure what is going to happen, but if they get a windfall, he needs the wriggle room to be able to respond. As members can see on the right, the costs of those things unscheduled. So, they did it this way but, Karen was correct, once they get past the District and the Precinct Projects which should be wrapped up in 2014, then it should be easier to predict because it's two variables less because he's got both the Precinct and the District, two independent utilities.

Karen Umberger stated out of the Overlays for next year, there is Tasker Hill and Birch Hill that are not tied to the North Conway Water Precinct. Paul DegliAngeli stated the only thing that's tied to the Precinct next year under Overlay is the first one, Kearsarge Road. Karen stated she thought Ash Street was part of that deal. Paul stated they finished Ash Street in 2010 so they are done, their contractor has pulled out and he can go in and do the Overlay; but they are not done on Kearsarge. Karen stated they are overlaying Ash, Ledgewood, Crescent and she didn't know where the streets were. Paul stated Westwind and Ledgewood are off the West Side Road between there and Side Track, they go towards the left. Karen stated most of the other work for next year is off the West Side and Paul agreed.

Earl Sires stated the Committee could review the Capital Reserve Funds. Earl stated the first sheet was a Summary; there are seven Capital Reserve Funds; for 2010 the total funding requested under those funds was \$793,500.00; for 2011 it's \$763,001.00, a decrease of 4% between the two years. The other thing given out, which Earl will not go through tonight, is a lengthier explanation of what the Capital Reserve Funds are and then what the Warrant Articles will look like for each of the Capital Reserve Funds including the amounts and then a brief explanation of what the Funds are for. Earl will review them briefly and then Paul (DegliAngeli) can talk about them in more detail for the ones that he is responsible for. There is the Infrastructure Reconstruction Fund which he just talked about and went over the list of projects.

Earl Sires proceeded with the Reserve Funds and stated that these are Funds that accumulate monies for either current year expenditures or for long term planned expenditures. They have all of their vehicles and equipment on a 10 to 12 year replacement cycle. They have Highway Equipment which they accumulate funding for to purchase vehicles and equipment for the Highway Department. Likewise, Solid Waste does the same thing. They have a Fund to fund Landfill Closure, for Landfill Expansion,

for the Maintenance of Town Buildings, and then for Police Vehicles. That's the detailed information and he will talk about the third sheet once Paul (DegliAngeli) gets done with any questions on the various Funds.

Paul DegliAngeli stated on Landfill Closure members will see that's been zeroed out. Earl Sires stated there is \$1.00 in there just to keep it open. Paul further stated that they are required by the State to have enough money on hand when they expand a cell of the Landfill. In order to get that permit from the State, they require that there is enough money to close when that cell is full. We are there and if we choose not to expand the Landfill into Cell 3, Phase 3, they have enough money to close 1 and 2. We've reached the goal and are able to no longer fund that.

Chairman Sordi stated he read through the Warrant Article real quick and it said "Currently it's felt that the amount in the Fund is sufficient to cover the future cost". Was there a certain amount that had to be achieved or is it more of a feeling or is it something that was talked to the State about whether or not it is sufficient. Paul DegliAngeli stated the language by the State is that there has to be sufficient funds for closure and 30 years of post-closure monitoring. The closure, the State annually asks for an independent opinion of probable cost for closure. They hire a consulting firm to do that and that's updated annually. There is enough money to close, including contingency, plus another year of post-closure monitoring. They feel that post-closure monitoring should be part of the Operating Budget and to be putting away money to monitor for 30 years after this is permanently closed, an event that won't happen for 30 years at this trash rate, just seems ludicrous, so they've called the State on that second portion. They'll see what happens when it happens, when it comes time for funding. The expansion item was reduced because again the trash is down so much that they've had longer and longer to save for it.

Karen Umberger stated she thought one figure that was missing is how much is currently in the Fund and that would certainly be helpful. Paul DegliAngeli stated in the Closure Fund there is about \$1.8 Million. Karen stated she knew there had been many arguments over Landfill Closure and how much we really need for Landfill Closure. Paul stated under Solid Waste, CMA Engineers' conceptual cost estimate was \$1,880,000.00 and that's with a 15% contingency.

Chairman Sordi stated he had seen other instances where the State will require the Town to have some sort of financial surety that either a bond or a Letter of Credit or something, they don't require that for Towns. Paul DegliAngeli stated they try; they tried some 17 or 18 years ago and the municipalities disagreed and said there was no way that was ever going to happen and they just gave up on it; but what they have done is said "here's the money", they've actually saved for it, it's a separate Article, it's been raised for a certain purpose, they get audited so they can't legally take it out for some other purpose. They can zero the contributions, but the money is still there. Paul further stated that he guessed one could argue in time the money could be insufficient to actually produce a closure and they're hoping that the interest rates keep pace with the inflation rates and that seems unlikely.

Karen Umberger asked if Lucy (Philbrick) was going to give the balance in the Funds. Lucy stated at the end of 2010, the Closure Account had \$1,806,000.00; the Landfill Expansion had \$1,664,000.00. Karen asked if there was a goal set for Expansion and Paul DegliAngeli stated that's \$1.8 Million. There is a coincidence here and didn't want anyone to be confused, he has heard from CMA Engineers this year and they are saying it's \$1,879,000.00; they've put in 15% contingency and he is saying \$1.8 Million. With the amount they've reduced it to, they're going to go with the contingency amount for that.

Karen Umberger stated she would like to have the 2010 ending balance for all of the Capital Reserve Funds. Lucy Philbrick stated Highway Equipment is \$186,000.00; Solid Waste Equipment is \$131,000.00; PEG is \$69,000.00; Infrastructure is \$535,000.00; Maintenance of Town Buildings is \$60,000.00, but it owes the General Fund money and she didn't remember how much; Police Vehicles is \$9,400.00. Chairman Sordi asked for clarification of PEG and Lucy stated it stands for Public Educational and Government Television.

Karen Umberger asked if the members had the schedule of the Highway and Solid Waste vehicle replacement. Paul DegliAngeli stated he thought it was in the book and would be behind each tab; if not there, check the Capital Reserve tab. Earl Sires stated he didn't think they included it with the Operating Budget because they are not included in the Operating Budget, so they can either get same for the members at the next meeting or they can make copies tonight. Chairman Sordi stated at the next meeting would be fine. Earl stated he thought they handed those out when they were talking about the Capital Reserve Funds separately from the Operating Budget, but he will get them to all members and possibly e-mail same tomorrow. Karen stated that would be fine as she would like to know where we're going and thought that was important so that the members can either support or not support the money that is being looked for.

Paul DegliAngeli stated the Solid Waste Equipment is unchanged, it's level; but the Highway Equipment, as you may remember they tried to keep it level for several years and they have step increases because it gives them a way to check the balance and then see, the vehicle costs go up, everything goes up, and they have typically been taking roughly a \$10,000.00 step every 3 to 5 years depending again on how they are doing with trade-ins and purchasing. In 2009, the allocation for Highway Equipment was \$95,000.00; in 2010's budget he requested \$205,000.00, but it was knocked back to \$155,000.00, the discussion was the following year it would get back on track; in 2011 he requested \$205,000.00 and it was knocked back to \$185,000.00. This gets them through 2015 okay, they are showing a negative balance for projected expenses in 2016, but again that's a number of years out and they have room to play with that, these are budget plans. For instance, they did a lot of work to the Grader this year and things didn't cost as much as they thought it was going to so they just have to see. On the flip side, while they had planned for inflation, they did not plan for emissions controls to finally come down from the EPA on trucking and that added \$12,000.00 to \$15,000.00 to the cost of the larger equipment, not the smaller equipment.

Bob Drinkhall asked what the cost would be for a replacement Grader, what would be the worth of the current Grader and he knew that they had just spent \$72,000.00 on it. Earl Sires stated they had spent \$17,000.00. Paul DegliAngeli stated they went into it with an estimate of \$15,500.00 and a budget of \$18,000.00 and they ended up spending \$17,000.00 and change, but the replacement of a Grader of their size would be a little bit north of \$215,000.00. You can see that the Grader is a 1987 and they are projecting a 30 year life; it's a heavy piece of iron and you maintain it; with the way they use it, it's cheaper to maintain it.

Paul DegliAngeli stated they keep records of their vehicles individually and they knew with the 7 yard size Dump Trucks, the optimum replacement life was 10 years; with these reductions, had to push some of those to 12 years. They've previously had experience with pushing them to 12 years and in that 11<sup>th</sup> or 12<sup>th</sup> year they were doing major work such as dump bodies, differentials and transmissions because those vehicles plow. Whereas the bigger plow trucks, the 4 x 4's or the wheelers, they can easily run 15 years. They are just built that much heavier and the 4 x 4's don't get used in the summer. In fact, they don't buy them until the carts are on them and if you look at them, members will see that there are sanders mounted directly on the back. The wheelers are used year round but are built a little bit heavier so they stand up to the abuses of a plow. Just because 10 years seems to be the optimum doesn't mean it can't run for 12 years, they can repair anything; they have a full service shop.

Chairman Sordi asked if they had looked at an auction that may come along with a lot of the equipment that is probably out on the market right now because with construction companies going under for say a Grader to see if there is a quality replacement out there. Paul DegliAngeli stated they haven't looked because they don't need a Grader, they just did \$17,000.00 and at their hours per year because with equipment like that you don't track miles, you track hours and with their hours per year they're good for another 10 years.

Karen Umberger stated she had a question on the School Bus maintenance and she knows that if she asks the School they are going to say "no, that's the Town". They had put in \$25,000.00 that actually ends up being revenue, but she knows he has to show it there, and again as of the end of December they were at \$20,000.00 so that's an additional \$5,000.00. Is there something in their bus replacement schedule that might be causing you to expect that you will have additional costs this year. In other words, are they running the buses longer, do they have more miles on them. Karen knows nobody at the School will have an answer to that. Paul DegliAngeli stated Jim Hill should be able to answer that actually. Bob Drinkhall stated and they did because he asked the question when he saw a bus engine was being re-built which is a fairly large job and he doesn't remember the exact figures and didn't have that book with him, they reduced what's being put in for replacement and the mileage was added to and thus far it is proving, although there hasn't been enough time yet to know whether it is going to be cost effective or not, but it is costing more to maintain them at a longer life span. Paul stated in addition to that, he keeps historical records and he didn't know if the sheet the members had was the same as his, but in 2009 the budget was \$22,000.00

and the actual expenses were \$41,000.00. He was just looking back as he has over 10, 15 years of records so he just looked back and picked that number as a budget number knowing that it wasn't going to be going down with their decision to extend the service life. Karen stated she would ask Jim (Hill) the service life question. Paul further stated he believed and could be mistaken, really Jim needs to be asked, but he believes it was from 10 years to 12 years. Bob Drinkhall stated he thought it was based on mileage. Karen stated it is based on mileage. Paul stated then he was mistaken, but they show a number there because they have to in order to charge out. They run the Service Department as a cost center and it's out of your left pocket and into your right pocket, but they have to have some number.

Chairman Sordi thanked Paul DegliAngeli for coming in.

#### RECREATION AND PARKS

Earl Sires stated he wanted to start with Recreation Department Funding and as he mentioned the last time they were here last week, that the Recreation Department Budget, their total budget is funded in essence out of two different checking accounts. They have the General Fund and that's what is shown in the Operating Budget that the members go through in the book and all of the discussion about the Operating Budget; then they also have the Recreation Revolving Fund which was established about 5 years ago and is a separate fund that was established by the voters and what it basically does is any fees charged for recreation go into that Recreation Revolving Fund and then any services related to those fees or related to recreation or park facilities in general can be funded out of those fees. There were two reasons for proposing that; one was that they were moving in recreation to having more fee based programs going on and this was in response to some of the concerns of the Budget Committee about the continuing growth and impact of Recreation on the General Fund. First of all it was to support some of the fee based stuff they were doing and secondly, it was to really isolate and to be able to demonstrate the impact Recreation has year to year on the General Fund, i.e. on taxes, on the tax rate. They wanted to be able to try and hold the Recreation General Fund Account either level or minimize any increases. If you start with the G, F columns in 2011, members will see that it is \$289,570.00 and that is the number shown in the budget book. In addition to that, there is \$58,000.00 in expenditures that are related to fee based programs or that are funded through fees. They fund some of the work on the Parks through the fees that organizations pay for special events; they have adult recreational leagues that they charge for that are fully funded including Admin through fees, so Adult Softball for example, all of the costs associated with that from the lights to staff to schedule it to Admin to finance are all covered.

Earl Sires stated that he wanted to make sure that everyone understood that in addition to the \$289,570.00 there is \$58,000.00 that is funded through the Recreation Revolving Fund, totally fee based, unrelated to taxes for a total of \$347,570.00. The important information to talk about is the General Fund column and the trend from 2000 to 2011 and particularly 2009, 2010 and 2011, they are holding it stable and relatively level although it is down a little bit this year. The answer

to what is the ongoing impact to the General Fund for Recreation and the answer is that they know over the past few years there has not been any upper trend or any increases. He thought it has been a positive addition to the way they manage their finances in general and Recreation in particular. John (Eastman) is going to talk about his whole budget and as he is talking about his budget, he is talking about stuff that is supported by both funds for a total of \$347,570.00 but, again, the General Fund impact is \$289,570.00. He will talk about some of these things and members will see how some are fee based and some are not and any questions about the general issue can be gone over again once John's presentation is completed.

Karen Umberger asked what was in the Revolving Fund at this point. Lucy Philbrick asked members to look at the backup behind Recreation and there should be a sheet stating Revolving Funds that is as of 12-15-10.

John Eastman stated he was going to start at the top of the budget worksheet where it says "Parks". Last year in 2010 is when they started it and the difference between 2009 and 2010 is quite substantial. One of the things that they did with the Selectmen was to just move money out of the recreation portion, especially Personnel side, and move it into the Parks Maintenance so it was a better way to measure not only for him to manage it, but for the Board of Selectmen and the Budget Committee to actually see what is being spent for maintenance on the Town Parks and facilities and what's being spent on Recreation which is more or less the programs and sports things. What it really did was reduce the Personnel side on the Recreation side and elevated it on the Parks, but the money was still the same. In Parks Maintenance, there is a \$3,000.00 decrease in this year's budget and that money comes from the Personnel side; they employ 3 people, 2 are considered part-time and one is a full-time employee though he works in their department 7.5 months of the year and with the Highway Department the other 4.5 months. The \$3,000.00 reduction came out of the total for Personnel, but it really got deducted by the Board on the third person which was a 16 week position and is now roughly 10 weeks; starts around the second week in June and this person finishes up around Labor Day. The 3 personnel people do all of the Parks' maintenance which is 54 Parks and Cemeteries and Earl has driven it with John and by the time you go from one Park and Cemetery and visit all the other ones, it's about 58 miles. Granted they don't mow every single Cemetery because some are private, the Town is a steward of a good many of the cemeteries, some of them they mow and some of them they don't. He calls them high visibility places, like the West Side, Cedar Creek and over by Twombly's Store and other various places. There's even cemeteries that most people don't even know exist. They also do all of the trash for the Town which is the trash barrels in Conway Village and in North Conway and obviously all of the mowing of all of the major Parks and public places that is the Town's. The bulk of that is in Personnel and he does have a separate Worksheet that explains, he pretty much puts everything in there from flowers to fertilizer to paint, lumber, replacement flags - they are in charge of the replacement of flags and the guys do a really good job to make sure that happens every single year, trash bags, small amounts of equipment, small things like weed whackers.

John Eastman proceeded by stating this past year on a special Warrant Article they purchased an additional zero turn mower which greatly improved the efficiency for mowing. They are able to mow almost double the time with the new mower and the other older one than what they were doing before. Other things like the Washington Street Park utilities, they have fountains, they have lights; Schouler Park utilities; Whitaker Home Site utilities; ball field. In the utilities, a good many of the utilities such as the Whitaker Home Site they budget \$3,300.00 in utilities and most of that returns to the Town because he costs all that out for any of the Adult Programs. If those lights go on for the Adult Programs, they get charged for it 100%. Insecticides for Depot Street which is Rotary Park and Whitaker Ball Field, Schouler Park and that gives it a grant total of \$62,214.00 in the Parks Maintenance portion of that budget.

John Eastman proceeded with Recreation by stating they have categories from Personnel, Facilities, Office Expense, Programs and Rec Dues and Seminars. The portion of the Recreation Budget is down \$5,450.00. There is a \$5,000.00 reduction in Personnel, Summer Staff and Life Guards are a portion of the budget. There still is \$2,020.00 set aside for Life Guards which is mandated; they are required to have Life Guards when they have Swim Lessons. There has to be a Life Guard on duty in order to have the Red Cross Swim Lessons. The total for that was \$7,000.00, it was reduced by \$5,000.00; the \$2,000.00 covers just the swim instructions itself. As Earl had said, there are some Revolving Fund budget implications that reduce that even more, reducing the \$5,000.00 brings it down to \$2,437.93. He pointed out that under Miscellaneous Labor, he broke that all down just so the members could see what they pay out in part-time staff, especially for things like Men's Softball, Over 40 Adult. There is a lot of softball but there are a lot of different leagues and he breaks it down so everyone has a good idea and it's not all grouped together. All of those costs in any Adult related program is all returned to the budget. They charge for that 100% and they charge a 10% Admin fee on top of that to administer some of the things they do for the Adult Programs.

Karen Umberger stated it was her understanding that in the budget the \$58,000.00 was not included. Earl Sires stated it is not in the General Fund; it's not in the Operating Budget they are presenting. The Operating Budget that the members have in the notebook is all General Fund only. If you look at John's bottom line of \$289,000.00, you need to be aware there's another \$58,000.00 in the Capital Reserve Fund. Karen stated she understood that, but where she was getting a little confused was that he is talking about things that should be paid for out of the \$58,000.00 as part of his budget. Earl stated what he had said was that he was going to discuss his budget in the total, but be aware there are two different ways it is being funded. Karen stated she got that part; on the sheet that is showing his back up, this number of \$243,000.00 isn't really reflected in the General Fund Budget. Earl Sires stated there are pieces of this that are funded by both, you are right. Remember, you have to have Parks in their too to get to your total. Karen stated she understood that and was only looking at the Rec portion, so the Rec portion at \$227,000.00 plus \$58,000.00 is the total for Recreation of \$280,000.00+. Earl asked where Karen got the \$227,000.00 from. Karen stated the total on the front page of the budget sheet, \$227,356.00 is what it says you

are budgeting out of the General Fund and then in addition to that you are adding another \$58,000.00 for a total recreation cost of \$285,356.00, that's the total Recreation cost. She realizes that \$58,000.00 is being paid for by people that are using the services, but it's outside this budget; in fact, if she adds the fees for the services plus what is being paid by the General Fund, Recreation as a total package is that \$285,000.00. Earl stated not including the \$62,000.00 for Parks. Karen stated she was just talking Recreation and Earl stated she was probably correct. Karen stated she was just trying to come to grips with how much is being put into Recreation in combination of taxes and user fees. She noticed that the user fees had gone up \$8,000.00; what have we done to the user fees. John Eastman stated they had an additional coed Softball League and they had an Adult-type Football League this Fall. Karen asked if they were expecting that to continue and John stated he was. John stated the coed Softball League was \$5,490.00 and again, he is projecting it from what it was this year, it could be more. It was pretty popular and if more teams came in, it would generate more revenue; but to be safe, he didn't want to inflate it and did what they did for 2010 and the same with the Adult Flag Football. Those are the hard costs. Karen stated then those are two new programs and John stated that was why he put stars beside them.

Chairman Sordi stated just so he understands, in looking at the detailed sheets, starting with the 2011 Budget for the Recreation Department, you have \$248,793.00 which was the original request in the Budget. John Eastman stated that was reduced by \$5,000.00. Chairman stated okay, so now it's down to \$243,000.00, but then the Selectmen approved \$210,793.00. John stated that was correct; they put money from the Revolving Fund into that to reduce it and the reason he lays it out like this is because everything that gets paid for in the Adult Programs, it still has to go out through the office so that's why he lists all of the upfront costs so it's very detailed and it's not \$20,000.00 of Adult Programs and people want to know exactly what goes into that. That's why he breaks it down the way he does so the members can see every single thing that goes through that way.

Karen Umberger stated the cost driver for Recreation is the Personnel and that's at \$210,000.00 and that's for how many people; how much is the \$210,000.00 supporting because some of the Personnel is paid by that \$58,000.00 she would assume, like swim lessons and that kind of stuff. John Eastman stated 27 people. Karen wanted to know where he got that number. John stated to go to his Personnel page, start at the top where there is A, B, C and D and he has every category listed. There is himself, the Assistant Director, Teen Coordinator, Bus Driver, 3 Teen Center staff. Karen asked if there were fees associated with the Teen Center and John stated no. Karen stated then the Teen Center is a General Fund everything and John agreed. John proceeded with Administrative Assistant; T-Ball which is just one person and it's very part-time. Karen asked if we pay someone to run the T-Ball Program. John stated just to assist; they all run it, they just need someone to help. Karen asked if T-Ball was non-fee and John stated it was. John stated there were 11 Summer Councilors. Karen asked if they were covered by the fees and Earl Sires stated partially. Karen further stated that is what she is trying to get at, what's the partiality of the fees; if John didn't have it, she

would like it so that when she is trying to sort this through in her mind she knows where we stand on Personnel and how much is being paid for by user fees and how much is being paid for by the taxpayers. Earl stated there are two things really going on; one is there are some straight forward things that are happening like Adult Softball that is paid for by fees; then there are other areas that they take a variety kinds of revenue and those offset other costs in general, not on a one-to-one basis. They have deducted in lump sums funding for staff and other things. He guessed that they could, if members really wanted to see the one-to-one correlation and then the amounts they just deducted from the Recreation Labor in general and things like that in general, they can do that; but there isn't a 100% correlation between a fee and a service or a cost.

Lucy Philbrick stated John's staff has kept track of where the fees going in to the Revolving Fund have come from. Lucy thought that may be what Karen is looking for. John Eastman stated they have kept for the Summer staff where they do charge a fee. They know exactly how much money has come in Summer fees and Swim Lessons. Those are the only kid Programs, children related programs, that they gain some revenue from. John can give the members an accurate number tomorrow.

Chairman Sordi stated under the request of the Selectmen, the two numbers in columns 5 and 6 on page 1, for example, Rec Personnel you have \$243,793.00 and you took \$5,000.00 off and then there's \$210,793.00 and there's a difference of \$33,000.00. Earl Sires stated what's going on there is the original request was set up to show the entire amount to be funded out of Recreation for both funds. It was his decision to start presenting this the way it is. They start out with \$350,000.00 and end up with \$270,000.00 because the credits of the Reserve Fund are allocated into the General Fund. His thinking was, and he may have been wrong, it is clearer to start with and to only use the General Fund required funding in the Operating Budget and to say in addition to this \$289,000.00 let's remember there's \$58,000.00 in the Rec Revolving Fund that is also funding the total amount needed for Recreation and then John goes through that in detail with all of his back up sheets. Chairman stated at least for him, it made sense; the \$33,000.00 if he looks in the Personnel Sheet, \$33,000.00 could be apportioned between any of the staff that are there. Earl stated that was the answer he was trying to get to; it's a lump sum attribution or credit. Chairman stated you could put it on all the Senior Councilors if you wanted but the \$33,000.00 is somehow apportioned across and one can put it on how many other people you want. Karen stated her real question was how many people in the Rec Department are definitely funded by taxpayer General Fund money and the answer she thinks was 8+. John Eastman stated for the Summer Program, he could tell exactly how much comes in from that.

Chairman Sordi stated if you had absolutely no Programs, what people would still be working there. Let's say tomorrow you found out there would be no programs for the rest of the year, the people that would still be trying to have Programs would be the Director, the Assistant Director, the Teen Center Coordinator, Bus Driver, the three Teen Center staff, and the Administrative Assistant. Those are givens and the others are reactionary to the Programs you have. They have 8 people that are the

Administrative staff that are going to be there all the time and everybody else is "how many Summer councilors do we really need; we're budgeting 11 but depending on how many kids are in there it could float up or down". Those are going to be dependent upon how much use. Earl Sires stated that's true to a certain extent; but what was said earlier is really the key to this thing. For example, they have \$248,000.00, the requested number for Rec Personnel is the number for the majority of the staff and that number is offset by about \$38,000.00 in the Rec Revolving Fund monies. To say that John is fully funded by the General Fund is not entirely accurate; to say the Assistant Director or the Teen Center, none of them are fully funded by the General Fund because they take an amount from the Revolving Fund that is generated from a variety of different funds and apply it to that. They sort of make this blanket contribution to the General Fund from the Rec Revolving Fund. That happens in that case and in other cases there is a one-to-one correlation, all of the costs associated with the Adult Softball and so on is covered by the Fund, but they generate monies from general sources within Recreation that they apply in a lump. The reason they apply it to the staff, they could apply it anywhere, that's just the biggest category so they can throw it all in there and offset there. Now, what you were identifying is kind of a different question which is who is the core staff there and who would be here regardless of some of the other programs that they do and it is those people mentioned. If they didn't have a Summer Program, if they didn't have this, that and the other thing, they would still have that to run their kid's programs.

Bill Masters asked if additional fees could be charged for activities that would go into the Revolving Fund, but that would go in to offset some of the other costs which is really the reason for setting up the Fund, but if the fees were increased and identified other activities where they do not charge fees, they could charge a fee, would that have an impact. Earl Sires stated that's one of the reasons they set up the Rec Revolving Fund because there was an idea and a thinking to move towards more fee based programs for two reasons; one, if something was new that was proposed, like the coed program, they could sort of fold that in where there really wasn't a lot of costs to them and could isolate the fees and expenses and it didn't effect the General Fund. The second thing is that and it's exactly what they are doing when they offset Labor in general with general different fees that come in to the Fund. They could expand or increase fees, in other words charge for more things or charge more for particular things. The Selectmen have been hesitant to do that. There was a lot of discussion about the Summer Program over the past few years and they're still discussing about whether there's room to move on those or not. They've talked about and did increase fees particularly for non-residents for Swim Lessons, but so far the Selectmen have been hesitant to move towards fees for the youth programs in particular, like T-Ball, Softball and that kind of stuff, or to move towards fees for the Teen Center which are other areas that you could look at.

Karen Umberger stated the Selectmen basically decided that for 2011 there would no changes in fees. Earl Sires stated the Selectmen have not proposed any fee changes. Karen stated that would obviously affect the Rec Budget; so the same fees that were charged last year for whatever

program it was will remain the same at this point. Earl stated that was his understanding.

John Eastman stated one of the conversations that was had was the fees for the Summer had gone up last year, they stayed the same from 2009 because what they found when he does his Fall report to the Selectmen is their recommendation was to not raise it too much more because we didn't want to cost people out of the Program because we wanted to keep people in; that doesn't mean that the Selectmen can't re-visit it because they could. One of the things is that the non-profit group, The Friends of Conway Rec, in 2010 gave \$3,000.00 in scholarships to families to participate in the Rec Program and that was up over \$1,000.00 from 2009 in requests. They're glad to do it, and he's not speaking for them, but they raise the money in the course of the year and they really work with the Department. You get to a point where how much can you make and certainly the Selectmen have a right to look at that every year and he thought they should, but then where is the balance; if you lose 50 kids, you don't bring in that revenue to make that extra \$15.00 to \$20.00 for each kid. They do look at it every year because they have accurate records of the attendance so they know exactly, even the age groups: 6 to 9 year olds or 10 to 14 year olds, what the demographics is of how many kids came from 2000 all the way up to the present. They have numbers for every single summer and they know where it's going.

Bill Masters asked if they knew the percentage of Conway kids that they actually serve versus visitors; what other communities do they serve. John Eastman stated in their sports programs, in their Rec Programs, the only program that they service any non-residents, a resident is considered Conway, Albany and Eaton, because they currently participate in the fee base to the Selectmen. Outside of that, they do not accept any one who is a non-resident with the exception of the Swim Program which is charged more for a non-resident. He can't tell the Budget Committee or the Selectmen why they have non-residents in the Swim Program, it was going before he got here and this is his 21<sup>st</sup> year. They do not take non-residents; if you are from Madison, Freedom, Fryeburg, Bartlett, you can't participate in their Rec Programs because those communities have their own.

Chairman Sordi stated on the Personnel Sheet, you talk about an Assistant Director, you talk about the Teen Center Coordinator, 80 hours x 26 weeks; are they really working 80 hours a week. John Eastman stated no, they get paid every two weeks so instead of 40 x 52, it's 80 x 26. Chairman stated the other thing he was curious about is in the Summary Sheet towards the end, the Narrative Impact, you talk about a merit increase for 4 permanent staff. What percent merit increase is planned in the budget. Earl Sires stated in 2010 there was a 2 year Public Works Contract that was presented to the voters and approved; it called for decreases in Health Insurance Benefits and a limit of a cap of 2% on any merit increase they might be eligible for. The second year of that Contract goes back to the normal plan; it's merit based and it has a component for a Cost of Living and a component for merit and they budget 3% for the combined and some people will get more than that and some people will get less; he believes one could achieve up to 5% depending on performance. That is a component of the Public Works Contract that they

convert to that traditional level of funding and merit plan for the second year. The Selectmen also offered that same arrangement to Admin so they are in the second year in that arrangement, it goes back to the traditional funding level of 3% for this year. The good news for all of that is that the real impact of the 1.5% to 2% is on the 2011 budget because they award most of those raises, particularly in Public Works, late in the year. The impact in 2011 is not a huge increase. They will see an increase as they go into 2012 because they converted to the traditional level funding; however, the Public Works Contract is open for negotiation again in 2012. Chairman asked if that was a 3% COLA and merit combined. Earl stated it could be, depending on performance, it could be up to 5% total and it could be as low as 1.5%. Karen stated so you have gone back to the merit pay and Earl stated for this year. Chairman asked if that was across the Town. Earl stated that was just the Admin and Library, they were the only ones that made that step back in 2010. Again, depending on what happens with Revenue this year, there might be adjustments to hours, there might be adjustments to staffing levels. That's how they would approach that issue in this year.

Bill Masters stated he thought that North Conway had a non-profit recreational department; what is the redundancy, does Conway do the same as they do or do they do the same thing as Conway does. Earl Sires stated he would try to answer that; North Conway doesn't have a non-profit recreational department, there is a non-profit recreation facility in the Village of North Conway and it's not municipally oriented in any way. Every year there is an amount requested by the North Conway Community Center of the voters and every year they have approved the amount. Earl thought it was \$75,000.00 last year. They have had a lot of discussions about redundancy and have tried to eliminate them, but he can't say there is no redundancy; they do try to compliment each other with their Programs. Bill stated he noticed that the \$75,000.00 went to pay the Director and the Assistant Director salaries for that group. Earl stated he doesn't know how they actually use the money. Bill stated he thought that was what was identified in the breakout and he may be wrong on that, but he is interested in whether there is a redundancy between the two. We have a Recreation Director and Department for Conway, is there a redundancy between the two organizations. Earl stated he would say there are programs that are similar in each. They have an evening drop in for teens. John Eastman stated not as much any more, it has really leveled off. Without going through everything and they have talked about it in the past, but he tries to break things down by seasons. Do they have a Summer Program, yes they do; they currently charge close to \$400.00 per kid for their Summer Program, Conway charges \$135.00. However, so there isn't any confusion as Earl said, Conway is the Rec Department for the entire town; there isn't a Mason-Dixon Line as people refer to it. What happens is that in their Summer Program, and he wouldn't say it is exactly like Conway, their hours are a little bit different, they do different things, they don't break it up into the age groups that Conway does, that's not saying what they do is bad, it's just saying the way Conway does it works for them. However, they did pick up probably 15 to 18 children from the North Conway area based on conversations either Mike or John had with the parents saying they just couldn't afford to pay that fee so they came to Conway. They do not offer Swim Lessons, Conway does; they offer Tackle Football, Conway does not, the program is fairly new

and he believed it to be 3 years old and they run it for Grades 4, 5 and 6. Conway runs a Flag Football for K through 2, so that doesn't seem to be a redundant thing because Conway offers something they don't. They run the same kind of Basketball, but again philosophically Conway's is different. Conway has a gym, they don't and have to use the one at John Fuller Elementary School. Conway does theirs a little different, North Conway has a travel team and might have 16 or 17 kids on one team and Conway actually has separate travel teams which are 10 on a team and then they have a whole Intramural Program; so Conway has a total of 11 basketball teams combined between girls and boys, 5 girl teams and 6 boys teams plus All Stars, they only offer All Stars. Conway is bigger by serving Center Conway area, Conway area and have one or two kids from North Conway playing Basketball, so they can choose. They also offer Soccer and Field Hockey just as Conway does and play each other. In Soccer they seem to travel around the area and play other towns, Conway has so many kids playing Soccer they don't do that. Conway is able to offer an Intramural Program where they have volunteer coaches. North Conway might have one Soccer team for a young group and one for an older. Conway has 4 or 5 and they just play in their own little league, they don't travel because they don't need to because they are fairly large. In the Springtime, Conway offers T-Ball, they offer T-Ball but their ages are different than Conway's and again, they differ on philosophy; Conway starts at age 5 and finishes at age 7. Conway has Rookie Softball which is like minor league for little girls, 8 and 9 year olds; they do not offer that, Conway does. The regular Girls Softball, Grades 3 through 6, the Conway Rec Department runs the entire league; they started it 15 years ago; they run the entire league not only for Conway and North Conway, they run it for Fryeburg, Lovell, Brownfield, Denmark and, of course, those sending towns that play in the league. We pay for the umpires but he bills them and they pay 100% of their costs. North Conway just sends a team into the league and they administer everything, but the beauty for them is because they have the fields, like Whitaker Home Site in North Conway which is a Town of Conway property, Schouler Park, O'Brien Field. The Town has to maintain them so it's easier for them to run the league, run the maintenance and it's much more efficient. John didn't know if that's redundant; John and Ryan have a very good relationship and they talk about a lot of things; they don't want to repeat service because you don't want to use money for that and use money for this. They are heavily involved in RSVP and other programs. Conway runs Senior activities: Bingo every Tuesday and he doesn't know if the Community Center does that, but he knows Conway does it and they get 15 to 20 Seniors to play Bingo every Tuesday for free. They have Scrabble on Mondays, had 15 ladies there today, again not to bore the members with the details, but he can't tell the Committee if they do that or not.

Bill Masters stated they use facilities which you maintain as part of the Rec Department, correct. John stated they use Schouler Park; they play Soccer on Schouler Park and T-Ball on the infield at Schouler Park and if they play Girls Softball, Conway manages that program. They play Tackle Football, they practice at Schouler Park, they play some of their games at Schouler Park and some they play at the High School at Gary Millen Stadium. If they use the lights, Conway charges them for that; same thing with the Outing Club and the Skating Rink which is kind of a sub-station of the Community Center. Bill stated we provide as a Town out of the tax

base \$75,000.00 for their activities. From what he could see, there are parallel activities, there may be age differences, there may be some different activities, but it's still the Town of Conway no matter how you look at it, if we consider North Conway as being part of the Town of Conway along with any other political identity that we have here.

Doug Swett stated they have other income up there; don't they have a private fund that was left to them somehow and the building is a private building. John Eastman stated it is and they also fundraise. John was not speaking for them, but he knows they fundraise around \$40,000.00; they do Mud Bowl and Craft Fairs and they have a booth at the 4<sup>th</sup> of July and he knows there are other things, he just doesn't know the details.

Chairman Sordi thanked John Eastman, Earl Sires and Lucy Philbrick for coming in.

Chairman Sordi went through the schedule to make sure that there would be a quorum for all future meetings. For Wednesday night, Bill Aughton will not be here, Linda Teagan won't be here, Karen Umberger won't be here, Joe Mosca will not be here. Right now there are enough people for a quorum on Wednesday night and Chairman will follow up with a couple of people to find out what the long-term prospects are for them to be at the meetings.

The Workshop was closed at 8:15 PM.