

**MINUTES OF MEETING
MUNICIPAL BUDGET COMMITTEE
June 20, 2011**

A meeting of the Municipal Budget Committee was called to order at 6:30 PM in the Meeting Room at the Town Hall with the following members present: Chairman David Sordi, Danielle Santuccio, Doug Swett, Ray Shakir, Greydon Turner, John Edgerton, Joe Mosca, Dick Klement, Brian Charles, Kelly DeFeo, Betty Loynd, Bill Marvel, Maury McKinney, Ted Sares, Maureen Seavey and Karen Umberger. Excused: Mike DiGregorio. Also present: Dr. Carl Nelson, Lloyd Jones of The Daily Sun and other members of the public.

Chairman Sordi asked Dick Klement to lead those present in the Pledge of Allegiance.

APPROVAL OF MINUTES

Ted Sares moved, seconded by John Edgerton, to consider and accept the Minutes of May 4, 2011. In favor: 16; Opposed: 0; Abstain: 0.

Chairman Sordi asked before getting into the meat of the discussion, was any member not ready to comment on the May 4th Minutes. Bill Marvel stated he may have said what was indicated given the accuracy of the rest of the Minutes, but on Page 16 it states he is accusing the City of Manchester of publishing their public employees salaries and, in fact, it wasn't the City of Manchester, it was the newspaper that published them and he suspected they demanded the figures. It should be the Manchester Union Leader, someone showed him a clipping of it around February with all of the public employee salaries and names.

OLD BUSINESS

Chairman Sordi stated he needed to enter into the record a pile of e-mails that were sent to the whole Budget Committee, some he sent with attachments, and he wasn't going to read any of them unless requested to do so by the Committee. There are about 20 e-mails with supporting documents. There was one e-mail that is in the record that was meant to be sent to everybody from Maureen (Seavey) and he had copies for every member.

Chairman Sordi apologized for all of the confusion regarding the list that went out; he asked that members try not to use e-mail to discuss opinions on something but try to use it to exchange information. At meetings, members will always be able to discuss opinions on everything and he understands why there was an urgency to get it out in an e-mail on that particular issue because it was going to the School Board, but he wanted to try to avoid having to enter in so many e-mails in the future.

Chairman Sordi stated at the end of tonight, after the vote on the School Budget, members are going to have to sign the form for the School. Dr. Nelson stated the members would have to come to the Town Hall to sign the form and was hoping to get it signed by the end of the week. Not all

members were needed to sign the form, only needed at least 10 to 12. Chairman stated to the members that it should be signed before Noon on Thursday; Dr. Nelson would send the Chairman an e-mail of when they had been delivered and he would send it out to everybody to come to the Town Hall and sign it.

Chairman Sordi stated everybody should have gotten the June 15th Minutes; if anybody did not get a copy let him know; he had not read them yet and they will be voted on at the next meeting.

Chairman Sordi reminded everyone present to be sure that they spoke into a mike if they were going to speak so that it is picked up on TV.

Chairman Sordi asked if there was any preliminary issues that anyone wanted to deal with before getting into the School Budget discussion.

Doug Swett moved, seconded by Ted Sares, that anybody that votes on this Budget Committee has to be in attendance, there won't be absentee votes like they discussed last week. In favor: 12; Opposed: 2 - Betty Loynd and Kelly DeFeo; Abstain: Greydon Turner and Joe Mosca.

Chairman Sordi stated that the motion on the floor is that there will be no absentee or proxy voting.

SCHOOL BUDGET

Chairman Sordi opened the meeting for final comment on the proposed revised School Budget. He was not going to accept motions until all members had a chance to give a comment and then get into the motions.

Ted Sares stated he had done quite a bit of work on this over the weekend and first he wanted to make an assumption, recognizing that assumptions can be dangerous, and the assumption is if Karen Umberger's proposal to reduce the budget had been 1.5% instead of the 11% proposal that was made, he thought that probably we wouldn't be here today, and that was his assumption. With that said, he wanted to do some syllogistic analysis meaning logical. "X" is what the School Board requested, that was what the School Board first requested; "Y" is what an 11% reduction would have resulted in, so now we have "Y" instead of "X" facing us. At the Deliberative Meeting the School Board requested that "Y" be changed back and restored to "X"; it did not request that it be restored back to a 1.5% decrease as Karen had proposed. This then invoked the 10% rule which changed "X" to "Z"; now we have "Z" and that amount was upheld by the DRA despite approval of the Default Budget. Therefore, if anything should be restored, not that it's in our power to restore it, that's for the Deliberative Meeting, it should be "Z" which was the result of the process until the RSA calling for a new meeting was invoked. That said, the fact is what we have in front of us is just about the same as what Karen first proposed, about a 1.5% reduction. Again, he goes back to the assumption and what the School Board has not proposed, he thought had that been proposed, had that been on the table at the Deliberative Meeting, that would have been accepted. The other thing he wanted to say was that he thought the School Board was probably the best he's seen since he has been here, 13 years. He was really pleased with the people, diversity of it and thought he didn't see himself or the rest of the

Committee superimposing their judgment for that of the School Board because they were elected as members of the School Board. We were elected as members of the Budget Committee to provide a check and balance and he really didn't see the Committee superimposing their judgment.

Chairman Sordi stated he wanted to clarify that he thought Ted (Sares) had stated that the School Board voted to increase it back up to the original amount. Ted stated he thought they did. Chairman asked Janine McLachlan if the School Board made the motion or was it an individual on the School Board. Janine stated she made the motion, seconded by Dick (Klement). Chairman asked Janine if it was being made personally or as a School Board. Janine stated it was being made as Chair of the School Board. Randy Davison stated as a member of that Board he had to clarify because of the people that he represents, they did not take a vote on that. Chairman stated he was just asking a question to Janine. Mr. Davison stated that's important Dave because we did not take a vote as a School Board to do that.

Chairman Sordi stated the second thing he wanted to clarify, and possibly Dr. Nelson could answer, the proposed cuts that they have once the bottom line budget is approved, they have the authority to use the funds in any way they see fit, correct. Dr. Nelson stated the Board can use the funds. Chairman stated so in effect the proposed cuts may not ultimately happen, ultimately they may come from other areas and he just wanted to make sure people understood that.

Dick Klement stated he had two small points: two School Board officials made the motion and the second, the taxpayers are the ones that voted for it. The School Board did not vote for it, the taxpayers did. Chairman Sordi stated he understood; he was just trying to make sure. Dick stated the other thing was that we can't forget that they've already submarined \$450,000.00 in Warrant Articles that they can't go back and repair. The total loss at this point would be the \$450,000.00 plus the \$286,000.00 and heaven knows what's going to happen when the State gets a hold of the retirement funds. So, they are still in a state of flux as to what the impact is even if we bless this thing tonight.

Chairman stated he understood and the issue with the vote at the State is going to be interesting because there are going to be a lot of municipalities and towns that are going to be in the same position we are and there may be a slew of special elections that have to be held next April to make up those funds. It will be interesting to see if they, in fact, vote that. The point he was trying to make with the \$289,000.00 is that historically the School District has returned \$500,000.00, \$600,000.00, \$700,000.00 each year and the proposed cuts are within that range so he thought that, at least from his perspective, it doesn't necessarily hurt any particular program because he would rather see the Schools try to achieve that budget and if unusual things happen, again we have recourse for special election especially if the State votes to cut retirement funding.

Bill Marvel stated in regards to the retirement funding, as you say every other town in the State is in the same situation and if those towns start correcting that problem ahead of time, you may invite the problem. It may be that much easier to make that decision.

Danielle Santuccio asked Ted Sares if his 1.5% was based on including the \$450,000.00 in Warrant Articles or not including them. Ted stated it wasn't included. Danielle stated it's probably more than that at this point, it's probably more of a 3% cut if we take that out as well. Ted stated he would have to think through that, but he thought she was right.

Ted Sares asked about the status of Project SUCCEED; did they not get a Grant. Dr. Nelson stated they received a \$93,000.00 Grant for Pine Tree.

John Edgerton stated the Budget as it was standing originally before the vote and before it went to the Default Budget was a 2.5% tax increase. We are presently sitting at a .65% which he didn't feel as bad about. Chairman Sordi asked John to repeat what he said. John stated the tax increase with the full budget the way it was going to go was 2.5% and the budget now is .65% and that's a lot better than 2.5%.

Chairman Sordi stated Ted (Sares) had mentioned trying to superimpose our will on the School Board and he wanted to remind everyone what the Budget Committee's responsibility is. It's not to determine what's best for the School; we're looking out for the taxpayers and we can ask questions to understand how the School is going to use the money, but it's the School Board's responsibility to determine what's best for the schools. We have to determine what's best for the taxpayers.

Ted Sares stated on a follow up to the surplus. We have to be careful with the surplus because it is Town money and depending on how you use it. We had quite a discussion about the Custodian and he could see money being used on a deficit budgeting perspective so that the Custodian is restored if you will and you take a risk and you assume the amount to restore the Custodian and he thought it was \$58,000.00, you take that risk and take it out of an assumed surplus. You could do that; it's kind of deficit spending if you will but it does restore the Custodian and everyone's kind of happy.

Bill Marvel stated regarding only the custodial cut. He agreed with Doug (Swett) and he agreed with Bob Drinkhall at the last meeting that maintenance is very important. He was not so sure that custodial care was all that crucial. He would confess that unless someone is coming to visit, he might not sweep his house for 3 weeks if he's busy, but that doesn't contribute to the deterioration of the house. If he doesn't replace the roof, which he hasn't been doing for the past 2 or 3 years, that contributes do a disintegration in the maintenance of the house. John Skelton said at the last meeting that they had figured that custodial care is something that is more ephemeral, the effects of it are not nearly as drastic as not repairing the roof, not repairing the systems and he agreed with him. They made that choice and he thought if they find otherwise, they'll shift money around. Bill further stated with the issue of the Budget in general, he thought it was important that we, for once, agree with the School Board on this budget because as he had been hoping since last year, they made what seems to be more than a token gesture of good will and responsibility and he thought to avoid having people say as he has heard people say that they just did that because they know that people on the Budget Committee or people at the Deliberative Session will raise the money back. That danger he thought is

to the credibility of the School Board; he thought the members should help the School Board when they are trying to be fiscally responsible to gain the support of those taxpayers that feel that was as well. Sort of to build a majority rather than just win another one by a fraction.

Chairman Sordi stated he believed the Public Hearing was the other evening and that was the extent of the Public Hearing. Chairman asked Danielle Santuccio if she closed the Public Hearing and she replied that she did. Chairman stated that the public comment period was over, that's what the other night was for.

Chairman Sordi stated he was opening it up for a vote, but the first thing he would like is a motion for the amount that was proposed and get that out of the way. There was no sense bandying about other numbers until we find out the position of the Budget Committee on \$32,798,634.00 that's been recommended by the School Board.

Ted Sares moved, seconded by John Edgerton, to accept \$32,798,634.00 as recommended by the School Board. In favor: 16; Opposed: 0; Abstain: 0.

OTHER BUSINESS

Karen Umberger stated she wanted to make some comments. Although this is not law at this point, this is something they will be voting on and it's in regards to the retirement. First she started out by saying that the money that the State had been providing to supplement retirement was only for school teachers, firemen and policemen; other employees were never subsidized and she wanted to make sure that everybody understood that. The reason those three groups were subsidized at one time was to bring more people into the retirement system. She was sure that many knew the Governor had vetoed SB3 which was the retirement plan and in his veto message he indicated that there was some changes that were going to occur so he was going to veto SB3 and wait for the changes. We have put the retirement system changes into HB2 which is the bill that allows the spending to go forward and do all kinds of other things. What is in the budget at this time and HB2 is that the rate that the employees (teachers, etc.) is going to increase by 2% and she believes that starts 1 July, she thought that was the date. In addition to that, for 2012 there will be \$3.6 Million in the budget to cover if, in fact, the contributions don't make up how much is supposed to be in the retirement system. That will be a one year deal and then starting in 2013, the communities will not receive any additional money from the State to supplement retirement and that was to provide a transition year so that no one was in the position, especially at the School or there are a lot of places where the budget runs June to June, that no one was in a position where they had to do something special for this year. So the effect will be for FY 13 which starts in 1 July next year.

Chairman Sordi stated the \$3.5 Million bridge that Karen (Umberger) mentioned, we were talking a \$400,000.00 shortfall for this community, that's not going to be for the whole State or is it. How are they going to apportion that? That's the big unknown.

Karen Umberger stated what's different starting 1 July is the increase in the retirement contribution that the members will have to make. There are

lots of other things in the Bill that she will be willing to discuss after it passes, but that's the effect financially on the School and the Town. That will be up for a vote on Wednesday.

Ray Shakir stated for the record, he voted for the cuts, but he believes that the cuts are woefully inadequate and the only reason he voted for the cuts was had he voted against it, it would appear that he would be against the cuts. He just wanted to make it clear that his vote was for the cuts just so that it didn't appear that he wasn't for any cuts.

Joe Mosca moved to put \$56,690.00 back in the Budget. (Not acted on.)

Joe Mosca stated on the 15th Mike DiGregorio who is not with us this evening was very passionate about the Custodians and in Mike's absence he told Mike he would make a motion to put that money back in the Budget. Joe is actually opposed to it, but in the spirit of things he told Mike he would do it. Chairman Sordi (and others) stated Joe could not do that because the Committee already voted for the original Budget. If the other motion had failed, then he could have added it in as a proposed motion. Just like there were some other people that wanted to make a motion and were not able to because tonight was the night for motions. Once you approve a Budget, then that's it.

John Edgerton stated the discussion at the last meeting was about the clean up and because those issues are all emotional and not binding, he thought it would have been a good idea to tell the School Board and the Administration that the Budget Committee did not think that was the place to cut. That's all we can do, ask them. We can't make it binding.

John Edgerton stated we've pretty well established the Budget now, but with the financial conditions of the country and the State and progress to where we're going and it looks like it's going to be tougher next year for the School, the School is going to have to start to consider where they're going to be and what they're going to do next year. We're already looking at it. The Budget Committee members have been on this for 5 or 6 years. This wasn't something new; none of the items in there were new. The cutting of a team at the Middle School has been discussed for more than 3 years and that was a School Board and School Administration decision to do that and then they didn't do it when the student population drops below 300. Also, on the 6th Grade to the Middle School; he read that study and there wasn't any reason why the 6th Grade shouldn't have been moved that year to the Middle School. There wasn't one single reason in that study not to move the 6th Grade and that would probably make the funding at the Middle School, he hoped that would make the funding, more in balance by putting more students in there because it has been out of balance since the Middle School was developed.

Chairman Sordi stated he wanted to give the members an idea of where he was thinking maybe the Committee should head. There was a joint meeting with the School Board and he thought it went very well last month and he thought it should be continued to address these immediate issues like what John (Edgerton) is talking about; it can be discussed back and forth in an open forum. The Budget Committee every year since he's been on it, has begun to look at how we're spending money and we ask people "do you really think you need to spend it" and we make a little headway but we

don't make a lot of headway. He thought maybe what the Committee might want to try this year is to look at the Revenue side much more closely. The Budget Committee, if you read through the regulations, we're responsible to figure out how much the taxpayers can afford and the only way to figure it is to look at the Revenue. How much is being contributed by the taxpayers. If we start to look at the Revenue side of it, we'll have a much stronger basis to then begin questioning the spend side of it that the Board of Selectmen work on and that the School Board works on. He needs to pull together some of the stuff he has, but thinks that's where we need to look at it this year. Let's start with the Revenue side, have the joint meetings with the School Board to talk about issues that are important to both, and then as we get closer to the budget season, we'll have a better handle on where the Revenues are, give that to the School Board, give that to the Town Selectmen and say this is our analysis, this is where we think we need to go and hopefully that will then foster greater discussion, greater understanding of what we're trying to do. Last year all we did was send a letter saying we think a 5% cut, the Budget Committee said a 5% cut is warranted. We discussed that one night and that's how we felt. Let's get some Revenue information now. At the next meeting he wants to start setting up things that we need to gather in order to get to that conclusion, that analysis.

Bill Marvel asked by Revenue, do you mean other than property taxes. Chairman Sordi stated that he wanted to try to get as much Revenue information as possible. We all talk about our taxes having gone up, our taxes having gone down; there's a lot of factors that go into the tax rate we pay. Let's get that information; try to get a projection on what's going to happen next year. We may not be able to do it, but it's worth a shot because the way we've done it in the past which is to basically say "can't spend", "your spending too much" without having any information to really back it up has not worked very well the last couple of years. Let's get that information as best we can and then move forward.

Betty Loynd stated she was all for that; she didn't want people to spend a lot of money. What bothered her this year is the fact that it was just the Schools that were cut; the Town Budget really was not cut. That's what she had an issue with.

Maureen Seavey asked if the employees pay 2% more, what rate does the State pay now? Dr. Nelson stated by law they are suppose to pay 35%, that was reduced to 25%; the State will be zero and he didn't know what the contributions will total up to.

John Edgerton asked what percentage of their pay is attributable, 6% or 9% of their pay that goes to retirement; how much do they pay and how much does the budget pay? How much does each teacher have to pay or what is the allocation from a teacher's pay. Do they pay 5% and the School Board pay 5%? Dr. Nelson stated currently they pay 5% and the School Districts pay 9% he thought. John asked if it was going to go to 7% and 8%. Dr. Nelson stated he did not know. John stated that makes more sense because you can track that. Dr. Nelson stated he thought they were going to add 2% to all of the employees, they're going to use that bridge money being talked about and then they will find out what the rate is the

Schools will pay and the Towns will pay, but it's only after that calculation that they will know.

Karen Umberger stated she didn't want to talk about it right now because it's not final but she could have at the next meeting what the rates are for each of the various categories. Chairman Sordi stated this is the retirement that's suppose to replace Social Security for public employees, correct? Karen stated no, only the public employees that don't pay Social Security; she knows the Fire Department doesn't and she didn't believe the Police did either. They have a higher rate than teachers and other employees.

Ray Shakir stated he wanted to address the comment about the Town Budget not being cut last year. He wanted to remind everybody that the Budget Committee did ponder all of the information that was provided from the School and from the Town very, very thoroughly and he believed that the Budget Committee concluded without a doubt that the Town was working fairly efficiently in their overall operation and they also concluded by the way that the School was not and that's why there was such a differential. Now that whole prognostication his change now going forward with the changes that were done in the Select Board, that remains to be seen, but to say that it was a sacrifice in the Schools because the Town wasn't cut is not really accurate because as you know we did quite a lot of work in determining the efficiency level of the Town operation and thought members did conclude that they were working extremely efficiently.

Dick Klement stated he had a couple of short points. He appreciated Karen (Umberger) saying that the State is subsidizing the Towns and the School Districts. Is that subsidy part of the tax the State takes every year from everybody in property taxes. Karen stated no. Dick continued to state in addition to that the State is effectively just handing down the taxes to the local one and saying they're balancing the budget. That's his opinion, sorry; he feels that once again we're getting a surprise. On the Revenue side, he agreed about looking at Revenue. This year they got an additional \$700,000.00 plus from the sending towns. That probably is not going to happen next year. They didn't have to pay as much for insurance for the people because the teachers went to the new contract, a one time savings, but it reduces the starting point for the next one; if it jumps 10% or 12%, you're talking \$600,000.00 to \$800,000.00 or something in that ballpark. If they get saddled with this extra \$400,000.00 that the State presents them with, they're starting total in the hole next year of \$1.5 Million and \$2.5 Million. Take the \$750,000.00, the \$450,000.00, and the \$700,000.00 or \$800,000.00 just right there, forget about giving anybody a raise. Next year, he believes, will be a year that will be more difficult and thought they would be looking at it, they have a list of things to look at on the School Board for next year, they've been written down, some of those things that are near and dear to some of the people here are on that list. He would welcome the joint Boards sitting down and thought they could expose what they think and would welcome input.

Chairman Sordi stated he agreed and thought as much as we're saying the State is passing down more of a load to the Towns. The people in the State are probably saying the same thing about the Federal Government.

The Federal Government is passing more of a load down to the States and it's just sort of going down hill. It is going to be a difficult year next year. We've exhausted many of the ways that we can try to find health care, there may still be some others but we can talk about that in joint meetings.

Doug Swett stated he thought everybody in this room had probably read something about this situation in Greece. The same situation exists here, the international monetary system is a mess. Greece is a country with 11 million people and it's in big trouble. When the American politicians on both sides of the aisle get together and face it, you can't even visualize what kind of trouble we're in and headed for. Chairman Sordi stated he wouldn't compare the United States to Greece, but he understood what Doug was saying; not sure he agreed with it, but understood what Doug was saying.

Karen Umberger stated she wanted to make one comment about retirement and that's why she's not saying any more than she is at this point because she thought people would see exactly where Dick (Klement) went is probably not where it's going but she wanted to make sure that she had the right numbers, the Bill passed, the Governor signed it and all of that. She asked that we not look out on retirement until it is done.

John Edgerton stated he was bringing these subjects up because we are really looking at next year now. He hoped that a lot of this thing had settled down. We have to look at the Elementary Schools; the Elementary Schools are going to be running about 180 students per school. To the School Board: at what point is the Elementary School student population going to go before they make a decision. There was a discussion that they would have a non-binding Warrant Article and that becomes an emotional issue, as to which school closes and that's not the way to go. The School Board and Administration know more about which school has to close, if one has to close. He wasn't saying one has to close, but when you move, and he assumes they would have to move the 6th Grade sooner or later, the population of the schools is going to be pretty small in the Elementary Schools.

Chairman Sordi stated he understood what John (Edgerton) was saying and thought those were issues for the joint Board. What he sees happening is John mentioned some numbers and Dick (Klement) may not agree with them. One of the biggest problems in dealing with these issues is "what's the right number" and we need to get to a consensus of what's going to be the right numbers and we can do that in a joint meeting because we can clear up any confusion. So bring those issues up at the joint meetings. John stated he was just throwing them on the table.

Ted Sares wanted to make a proposal to accept the School Board's Budget. Chairman Sordi advised that was already taken care of and passed unanimously.

Randy Davison asked if the joint meetings were going to be publicized. Chairman Sordi stated they will be public meetings and Janine (McLachlan) and the Chair would get together to set a date with the first one probably being in August sometime.

Chairman Sordi stated the Deliberative Session is going to be July 12th at 7:00 PM at the Kennett High School Auditorium and the final voting will be on August 16th. We also need to set the date for the Budget Committee's next meeting and he would like to do it on July 13th. He would like to get moving because we are running out of time. The meeting would be at 6:30 PM at the Town Hall on July 13th. The only other thing he wanted to mention is members needed to make sure after tomorrow they needed to come in and sign the documents that Karen (Hallowell) will have. Dr. Nelson will deliver them tomorrow.

Dick Klement asked that the venue be changed to the room at the Middle School. Some of the members have been to that room. Chairman Sordi stated that the next meeting will be at the Middle School and asked Laura (of Valley Vision) if she could handle that at the Middle School. Laura was not sure, but would check to see what they could do. Bill Marvel stated it was hard to hear in that room. Dr. Nelson stated he would see about getting some portables for the meeting.

Chairman Sordi recapped that on July 12th at 7:00 PM at the Auditorium is the Deliberative; July 13th is our next meeting at 6:30 PM at the Middle School; and members need to sign the School documents before Noon on Thursday.

Joe Mosca moved, seconded by Greydon Turner, to adjourn the meeting at 7:15 PM. Motion carried unanimously.

Respectfully Submitted,

Iris A. Bowden, Recording Secretary