

**TOWN OF NEW LONDON
BUDGET COMMITTEE
AUGUST 11, 2005**

PRESENT: Doug Baxter, Pat Blanchard, Jack Diemar, Carol Fraley (Finance Officer), Jessie Levine (Town Administrator), Doug Lyon (Selectman *ex officio*), Bob Meck, Clayton Shedd, Stefan Timbrell, Jim Wheeler, John Wilson, Barry Wright.

The following materials were distributed to members prior to this meeting: draft of February 10, 2005 Public Hearing minutes; current Budget Committee roster; schedule of appropriations and actual expenditures 2003 through August 1, 2005, schedule of anticipated and actual revenues 2003 through August 1, 2005; memo from Karen Ebel regarding the Capital Improvements Plan update; letter dated May 4, 2005 from John Wilson to Budget Committee Chairman Doug Baxter, suggesting discussion of some proposed changes to the Budget process. During the meeting, per reference in John Wilson's May 4, 2005 letter, Jessie Levine provided copies of Table 1 from the 2004-2005 Capital Improvements Plan showing trends in Town Expenditures 1994 through 2003.

Doug Baxter opened the meeting at 7:04 p.m., and introduced new member Bob Meck. Eight areas of business were addressed during this meeting.

Minutes February 10, 2005

Doug Baxter added "Chairman" to the phrase "Budget Committee Doug Baxter ..." in paragraph one, page one. Barry Wright moved to accept the minutes with that amendment. Stefan Timbrell seconded. No further discussion. Motion unanimously approved. Jessie Levine asked if the Committee had any objections to Draft minutes being sent out on the Town-wide e-mail subscriber list. Currently, there are 351 subscribers on the list. No objections were raised. Doug Lyon said that the Town is trying to make greater use of that technology. For example, the notice of the current water ban was sent out on that same list.

Budget Committee Chair 2005-2006

Doug Baxter said that current and upcoming obligations would prevent him from accepting a nomination to a third term as Chairman of the Budget Committee. There was brief discussion among members regarding the responsibilities of Chair which include running the meetings and the public hearing, and some between-meeting e-mail exchanges with the Town Administrator. Otherwise, as Doug Lyon pointed out, there is not a lot of heavy lifting for the Chair between the meetings. Stefan Timbrell reminded the Committee that Doug Lyon presents the budget at the public hearing, and there was consensus among Budget Committee members that that should continue. Jessie Levine and Carol Fraley added that they, as well as current Chairman Doug Baxter, are available to assist when any questions arise. Jim Wheeler asked if length of tenure on the Committee should be considered in nominating a new Chair. Members noted that Barry Wright and Pat Blanchard are the longest serving members on the current roster. Pat Blanchard indicated that she would decline a nomination at this time. John Wilson nominated Barry Wright. Jim Wheeler seconded. There was no further discussion. Motion unanimously approved.

Capital Improvements Plan

Representation on the CIP Committee requires attendance at two meetings that will be scheduled by Ken McWilliams—most likely one in late August and one in September. In light of previous discussion regarding the value of experience on that committee, Barry Wright suggested a rotating system so that at least one of the Budget Committee's representatives to the CIP is a veteran of that committee. Budget Committee members nominated Pat Blanchard and John Wilson. No further discussion. Motion unanimously approved.

Pat Blanchard referred to a question that had been raised at Town Meeting regarding the copy machine, and she suggested that the Town not accumulate funds (as capital reserves) for items that cost less than a certain amount. Carol Fraley said that a minimum amount (for inclusion in the CIP) had once been set at \$5,000, and Stefan Timbrell added that another general guideline in the CIP's mission statement is that the program would be limited to items with a life expectancy of three years or more. Doug Lyon said that at one time, the Budget Committee was encouraging department heads to think ahead for all their non-operating items. He agreed that something like a

copier could be put on an automatic replacement schedule. He pointed out that the police cruisers, which cost between \$25,000 and \$30,000, are in the operating budget, as they are an expense that the Town incurs every three years. Jessie Levine suggested that Pat Blanchard and John Wilson bring this question up for discussion at the CIP meetings. Pat Blanchard asked for suggestions for a low number. Members suggested between \$7,500 and \$10,000. Jessie Levine suggested that rather than set an exact amount that may become outdated, the CIP subcommittee consider limiting inclusion to those items that would be the equivalent of a penny or more on the tax rate (currently about \$10,000).

Proposed Subcommittees

The Budget Committee turned to discussion of John Wilson's recommendation that the Budget Committee's nine members be divided into three groups of three, each group of three being made up of a committee member with one, two and three years remaining on their elected terms. Each group could become a specialist in one or more of the Town's departments, according to department size. At this meeting, John Wilson expounded on his suggestion by pointing out that, according to the *Basic Law of Town, Village and School Districts*, in budget committee towns such as New London, it is the Budget Committee's budget, and not the governing body's, that is posted with the warrant and presented to voters at Town Meeting. He said the Budget Committee should know what it is approving, and be better prepared to answer questions at Town Meeting. He pointed out that the appropriations section of the budget includes 453 line items, and it would be very difficult for everyone on the Budget Committee to be familiar with each of them. He suggested that each of the three subcommittees take on one of the largest departments in Town – General Government Administration, for example, has the most line items—along with several smaller departments. His idea is that each subcommittee become expert in its departments, looking into details such as life expectancy of equipment, etc. He added that he feels that the Board of Selectmen should continue to make the presentation on the budget at Town meeting with the department heads' input. However, if things linger on (at Town Meeting), the Budget Committee could be the "closer." He would like to see that done with authority. He also suggested that department heads continue to come to the entire Budget Committee, but that each subcommittee spend some additional time with their departments.

Referring to the questions that had been raised at the Town meeting, Doug Lyon said the Town did get answers to those, and sent them out in a *Quicklink* newsletter, as well as sending individual letters to the people who had raised the questions. They have received a good reaction in response to those letters.

Doug Baxter agreed that subcommittees would be able to acquire a stronger knowledge base (for those budget items under their purview). He pointed out that there would be an advantage in spending more time with each of the department managers. Stefan Timbrell reminded the Committee that a subcommittee of the Budget Committee did spend time with the Police Department just prior to the purchase of that department's new computer programs. In that way, they acquired more in-depth information, and answers to specific questions, and were able to return with that data to the whole Budget Committee.

Doug Lyon said that the subcommittee method had been used in the past and was discontinued due to poor attendance by some of the subcommittee members, leaving department heads distrusting of the Budget Committee. If the Budget Committee divides into subcommittees, members must be willing to commit. Jessie Levine added that now we are talking about each subcommittee having three members; in the past each had only two. Doug Baxter said he thinks subcommittees are a good idea, but agreed that in the past there has been a problem with no-shows.

Jim Wheeler asked members to consider whether or not this is really a good idea for the Budget Committee. How would this work to the benefit of the Budget Committee? He pointed out that every one is swamped the first year on the Budget Committee, and the questions that arose at the last Town Meeting may have been a one-time event. John Wilson again referred to the 453 lines in the budget, and added that the Budget Committee is also ultimately responsible for the CIP. Jessie Levine said the Planning Board is responsible for the Capital Improvement Plan, but agreed that the Budget Committee is responsible for the amounts that are included in the budget. John Wilson asked if the Budget Committee does not do this in a responsible manner, should New London be a Budget Committee town? Jim Wheeler asked if the Budget Committee would be willing to take the advice of the respective subcommittees. John Wilson said the subcommittees would do the preliminary stuff. A subcommittee could be either a critic or an advocate (for a department's request). He would still like the department heads to make their presentations to the whole Budget Committee.

Barry Wright asked how that would work with the meeting schedule. As it is, the Budget Committee usually has ten meetings per season. Jessie Levine suggested that one or two would be added for each subcommittee. In exchange, it may be possible to shorten the marathon meetings, or eliminate one of the regular meetings or one of the two public hearings. Barry Wright asked if the subcommittee meetings would replace the general tour that the Budget Committee has done in previous years. He suggested that in that case, one member of each subcommittee be rotated into a different subcommittee each year, and opened some discussion of how the departments would be divided.

Barry Wright suggested the possibility of the subcommittees' meetings being coupled with the department's initial presentation of raw data to the Selectmen. He said there would be no advantage to a double review. Pat Blanchard said she does not like the idea of the subcommittees meeting with the departments first. She reminded the Budget Committee that in the case of the police department, it was the opposite. The Department made its presentation, then the subcommittee focused on specific questions. Doug Baxter reminded that in the past the tour served for initial fact finding, with the department heads present to answer questions.

Doug Lyon summarized the pros and cons: subcommittee would allow specialization, but the entire Budget Committee must be confident with the findings of the subcommittee, otherwise the information will simply be rehashed in the meeting of the entire Budget Committee. On the other hand, a disadvantage to that is that the entire Budget Committee would not get the broad overview.

In conclusion, Barry Wright suggested that the Budget Committee as a whole hear the department presentations, determine areas that need to be resolved, and then assign subcommittees to those. Budget Committee members concurred with that order of procedure.

Schedule

The Budget Committee will hear the departments' presentations on September 20 and 21 at 4 p.m. On October 5 at 7 p.m., the Budget Committee will meet to identify areas of concern in the budgets, and assign subcommittees. On October 16, the Budget Committee will meet again to hear the findings of the subcommittees. Additional meetings are scheduled for November 9 and 30, December 14 and January 18. The Public Hearing will be scheduled on February 8, 2006. Jessie Levine and new member Bob Meck will get together regarding dates for Bob Meck to tour the departments.

Department heads have been asked to submit their budgets to Carol Fraley by Labor Day, and Budget Committee members have the understanding that though they may not receive the print-outs in the mail prior to the September 20th meeting, those will be available on that date. By December, the sewer budget should be in, and changes to the originally proposed budgets will have started coming in. Salary information will be available by mid- to late-December, and the Committee agreed with Barry Wright's suggestion that the January 18 meeting could be devoted to discussion of that salary information. Jessie Levine said that is the final meeting before the public hearing.

Miscellaneous Budget Questions

- o John Wilson indicated that the new (for 2006 budget preparations) print-out will contain both appropriations and actual data for the past three years, which satisfies the request he made to that effect in his May 4 letter.
- o In response to question from the Committee, Jessie Levine said yes, the Town does anticipate receiving a petition regarding veterans' credit again this year.
- o Doug Baxter asked if they foresee any real hot potatoes in the budget this year.

Jessie Levine said no, but added that the assessor costs are going to run more than anticipated. In order to hire someone with the requisite qualifications, the Joint Board had to increase the proposed salary by \$20,000. She reminded the Committee that the cost of the joint assessor will be split among the three Towns. She said that at this time, they have hired an assessor with extremely good qualifications and references, but that he will not start in time to do the statistical analysis and market update as had been hoped. The Town will pay the contract

assessor to do this, using \$30,000 that is in the capital reserve for that purpose. Due to the delay, there will be an over-expenditure in this year's assessing budget.

In addition, there is some discussion of making the new office assistant's position full time, and adding a part-time secretary for the Highway Department.

Proposed Change in Fiscal Year

The Budget Committee turned to discussion of John Wilson's suggestion that the Town consider changing to the optional July 1 fiscal year, to eliminate the problem of going into the new fiscal year before knowing whether or not the budget will be approved.

Jessie Levine said that the pertinent State laws are RSA 31:94 a - e. RSA 31:94-b says that a change in fiscal year can be approved in either of two ways:

- o By unanimous vote by Board of Selectmen and a two-thirds vote by the Budget Committee, or
- o By warrant article presented at Town Meeting.

Doug Lyon agreed that as it is, the Town starts spending money in January that is not approved until March. The pay increases are made retroactively to wait for Town Meeting approval. He pointed out that federal law requires payments on a calendar year. He said it may make sense for the Town to have a fiscal year that starts after the approval process. Jessie Levine said that one advantage to changing to the July 1 fiscal year is that the Town would fall into a bigger pool for the health insurance. A disadvantage however, is that such a change would entail a lot of work—at least during the transition period. Two budgets would have to be prepared—an 18-month (to get the Town through to June 30 of the following year), and a 12-month (should the resolution to change fail to get approval). The transition may require additional personnel, and possibly new computer software. Doug Lyon agreed that there may well be software and computer implications; most are designed to do annual budgets. He asked which (fiscal year) everyone would prefer. Barry Wright asked if it would be simpler to make the Town meeting earlier. Jessie Levine said the law only allows them to have a Town meeting in March or in May (if the fiscal year is changed to July-June).

There was agreement that there would be a one-time impact on tax bills. Jessie Levine said the RSAs do have provision for incurring debt, and for borrowing for the purpose of changing the fiscal year. Also, she noted that Bow has made the change, and Newport did so some time ago. In anticipation of the costs of the change, Bow started a capital reserve a couple years in advance. She suggested that proposing opening a capital reserve for the purpose might be a way to gauge the Town's feelings about such a change.

Doug Lyon said the crucial question is, what will the Town gain by changing to a July 1 fiscal year. He agreed that it would be a cleaner system to approve before spending, but otherwise, what could the Town do (with July 1 fiscal year) that it cannot currently do? The benefits to such a change would have to be highlighted to the townspeople. In the past, it was easy to highlight benefits from projects as the fire station and highway department building. This however, may be a more difficult sell. There is the potential for a change in people's tax bills. He cautioned against underestimating the amount of turmoil it may cause, and said they would have to be careful to convince the Town there would be a substantial cost benefit in making such a change. How can the information be framed, and how can the cost benefits be clearly explained?

Doug Baxter referred to the table showing trends in expenditures since 1994, and asked if the fact that the budget has grown substantially would be a reason to weigh in for change. Has the three-month period (when the Town is spending money before the budget is approved) become more of an issue as a result of the growth in the budget? Carol Fraley clarified that if any given line item amount is not approved at the March Town Meeting, the budget for that line item simply reverts to the amount of the previous year, so they have not really overspent by that time. She reminded the Committee that a transition to a July 1 fiscal year would require at first, an 18-month budget, and that will be showing up in the budget print outs for years to come. They will have to be explaining that sudden increase for a long time.

At any rate, Budget Committee members agreed that it is too late to propose such a change for next year. Jessie Levine and Carol Fraley will do some additional research on this, including asking the auditors how this has worked out in other towns that have made a change in fiscal year. What sorts of problems did they encounter? Jessie Levine will also ask other town managers the benefits that their communities have received from making this change.

Selectmen's Report

1. Doug Lyon expounded on the benefits of the joint assessor including reduced cost, and less hassle to people to have one person who knows the town well doing all the assessing from year to year. The Board of Selectmen did promise that an annual sales analysis and market update will be done, and that is the reason they are going ahead with it this year, using the contract assessor. There is some indication that a disproportionality between some of the property classes has evolved over the year, and they would like to address that in a timely manner. In response to question from the Committee, he and Jessie Levine said yes, they are very satisfied with the current contract assessor's—MRI, not Vision—ability to do this well. Jessie Levine said that because so many Towns are hiring their own assessors now, MRI has given the Town a very good price for doing it--\$28,000, as compared to Vision's fee of \$60,000.
2. Doug Lyon briefly discussed the new 500,000-gallon water tank that is being located behind the Colby-Sawyer College library building now, though this is not an issue for the Budget Committee. He explained that the college has granted an easement to the water precinct for this purpose; it allows the Precinct to have a secondary water supply in that end of town. He noted that growth is a matter of concern to the water precinct; it is approaching the maximum amount of water it can provide, and it does not plan to expand its borders beyond their present locations.

Stefan Timbrell said there did not seem to be a safety factor built into the system. They did not anticipate growth. Doug Lyon said that they should have half a million gallons available at any one time for fire safety purposes, and that is still the case. The water precinct did do engineering studies and found that of the two solutions: putting in wells at Colby Point or building a water treatment plant at the top of Morgan Hill, the latter was much more expensive. The Colby Point wells pump at night, and can provide 750,000 gallons a day. Normal use is 325,000 to 360,000 gallons per day. In hot weather however, the use comes close to that full capacity, and that is the reason for the current water ban.

3. He said an organizational meeting was held relevant to master planning for Elkins.
4. Also, a number of zoning violations have been brought to the Town's attention, and they are trying to address those. Sometimes, interpretation of a regulation or ordinance can be subjective, and in an effort to clarify, the Planning Board requests changes in wording to sections of the ordinance each year. Other times, paying fines for violating the ordinance is simply considered the cost of doing business. It is a growing issue. John Wilson said he feels there are lots of conflicts within the regulations, and they must be upgraded, made more specific, and not contain conflicts within themselves. Jessie Levine said the Planning Board is going to update the site plan regulations in the near future, and the zoning administrator will see that regulations are more integrated.
5. Stoney Brook Road will be paved this fall, and drainage issues on Squires Lane will be addressed.
6. The Town is making some changes in its personnel policy guidelines that will have both economic and morale implications. They are doing this in consultation with department heads and employees, as well as receiving input from other Towns.
7. Painting some Town buildings, including the interior of the Town Hall, is on this year's schedule.

Membership

Sadly, Stefan Timbrell is relocating, and the Budget Committee must appoint a replacement. Suggestion was made that in the past, the Citizens' Advisory Committee has served as a feeder for other Town boards, and Jessie Levine will forward a current roster of the CAC to Budget Committee members. Please contact her with suggestions.

The meeting adjourned at 9 p.m.

Respectfully submitted,

S.A. Denz
Recording Secretary