

TOWN OF NEW LONDON
BUDGET COMMITTEE
MAY 17, 2006

PRESENT: Barry Wright (Chairman), Connie Appel, Pat Blanchard, Doug Baxter, Jack Diemar, Carol Fraley (Finance Officer), Jessie Levine (Town Administrator), Mark Kaplan (Selectman *ex officio*), Noel Weinstein, Jim Wheeler, John Wilson.

Prior to the meeting, Budget Committee members received packets including the current year's budget, copies of the Local Government Center's chapter on Municipal Budget Law, copies of John Wilson's April 5 letter to Chair Barry Wright.

Barry Wright called the meeting to order at 7 p.m., and introduced newest member Noel Weinstein. The Committee addressed five areas of business at this initial meeting of the 2006-2007 budget season.

1. Jim Wheeler nominated Barry Wright to the position of Chairperson of the Budget Committee 2006-2007. Jack Diemar seconded. Barry Wright accepted the nomination. There was no further discussion on the motion, and it was unanimously approved.
2. Carol Fraley amended paragraph eight on page five of the February 8 minutes, to eliminate the word "find," and those minutes were unanimously approved as amended.
3. Noel Weinstein opened discussion of the "10% rule" (RSA 32:18, discussed on page 62 of LGC's "Knowing the Territory") and pointed out that at Town Meeting voters approved a veteran's credit of \$500; he asked how the rule relates to that. Jessie Levine explained that the 10% rule applies only to budget items. As a point of information, she said that the NH Legislature has been asked to clarify whether or not the Selectmen and Budget Committee can recommend (or not) this type of warrant article (that is, an article which will affect the budget, but which is not a budget item per se).

Barry Wright clarified that the 10% rule refers to 10% of the bottom line not to individual line items, and he referred to paragraph G-1 of "Knowing the Territory." To quote: *"If the Budget Committee does not recommend certain larger projects it can actually prevent them from happening even if a majority of the voters favor them. In a sense, the Town Meeting, by having a budget committee, has given up some of its legislative authority."*

4. This opened discussion of the Budget Committee's role. Jessie Levine said that the Budget Committee is in charge of the budget process up to Town Meeting, and its recommendations are meant to be a guide to voters at Town Meeting. At Town Meeting, voters approve a bottom line. After Town Meeting, the selectmen manage the budget and can approve over expending an item as long as they do not exceed that bottom line. She referred to John Wilson's letter suggesting that the Selectmen are using surplus to cover over expenditures. In fact the Town does not use surplus from previous years for that purpose. Surplus is used for cash flow, but not for budgeting.

Jim Wheeler asked if the Budget Committee is a policy-making committee, or an advisory one. Is it the Budget Committee's role to consider the big picture, or just to look at line items. He asked if any of this is addressed in the master plan. Mark Kaplan said the master plan is updated every ten years, and that process does include citizen input. The Master Plan looks at how the town will be ten years into the future, but does not address financial goals. Jessie Levine said that technically, the Selectmen are in charge of administering the approved budget, but it is not outside the purview of the budget committee to establish policy decisions. Any disagreements between those two boards would be reflected in the warrant. Barry Wright pointed out that this year, there may be a change in school funding to consider as well.

Pat Blanchard said there is an undercurrent in town that the budget is getting too big, growing too fast. She noted that only 10% of the town attends Town Meeting, and it is unlikely that people there are going to stand up and oppose any of the recommendations. And Barry Wright pointed out that as the town grows, that percentage of attendance at Town Meeting will be proportionately smaller. Jim Wheeler suggested that for those reasons then, perhaps Town Meeting does not really work; thus, it is the Budget Committee who is charged with

distinguishing between the town's wants and needs. Pat Blanchard agreed, saying that people elect the Budget Committee members and it is people's perception that the Budget Committee will do that. Jessie Levine said that there is no way to tell whether or not an undercurrent represents the majority. If Town Meeting is not the time to receive the majority opinion, then when is? She pointed out that some people do stand up at Town Meeting, and she and Mark Kaplan gave as examples the changes voters made to the recommended amounts for the mosquito control program and the veterans' credit. Mark Kaplan said he does take his cue from the voters, but that it would be impractical to have a referendum on every line item.

Regarding the Budget Committee's charge to more tightly budget and to distinguish between wants and needs, Connie Appel said she felt that was the purpose of the sub-committee strategy—to allow Budget Committee members to really become experts. She added that as she came on the Committee part way into last year, and is still a relatively new member, she would like more background on department operations. She was impressed with the level of expertise of the department heads, but said there is no way for a Budget Committee member to really know if there is another side (without meeting with and learning the department itself). Mark Kaplan added that another advantage of the subcommittee strategy is that Budget Committee members can bring their own expertise to the department as well. Any little savings that can be accrued in this way will benefit the town for years into the future.

John Wilson said that the budget went up 24% last year. He said he feels it must be monitored more closely, and the Budget Committee is not doing that when it recommends appropriating for any line item more than was spent for that item the previous year. That's why there is such a large surplus. He suggested the town does not need everything all at once. Jessie Levine pointed out that the recommended budget actually went up 21% this year. The additional 3% resulted from the voters approving the more expansive pesticide program and the larger veterans' credit.

John Wilson made several recommendations:

- o The fiscal year should start when the (operating) year starts. You should look forward, not behind (referring to the fact that the town operates for the first three months of every year without knowing what voters will approve for that year). He noted there is a trend in the state to a July 1 to June 30 fiscal year. His April 5 letter cites 11 cities and 13 towns which have changed over, and lists benefits of the July to June fiscal year. Jessie Levine said she has no problem with a change in fiscal year, but how would that save money? John Wilson said it is a reasonable business practice, and he observed that departments may operate more efficiently in the first three months of the year, if they know what their approved budgets are for that year.
- o Surplus should not come from anticipated departmental balances, as they have in the past. Department line items should be budgeted much more tightly; that way, what is being done can be followed. The surplus (which the Town has historically set at 7.5%), or "overlay" should be a separate item. Jessie Levine pointed out that the town cannot use "overlay" to cover over-expenditures without a complicated process including permission from DRA. She clarified that the 7.5% is not a separate budget item, but is simply the amount that is kept from the previous year's balance to cover over expenditures, and to allow the Town to avoid borrowing during the year. The balance of the previous year's "surplus" (that is the amount exclusive of the 7.5%) is returned to voters to offset taxes. She added that "surplus" includes not only balances from the appropriations but also any increases in revenues. Both she and Mark Kaplan explained the cost effectiveness of having this surplus available; it would be much more expensive to pay the interest on tax anticipation notes. John Wilson commented that it might be a good thing to have to go through the process with DRA before exceeding a line item's approved budget. The Selectman, Finance Officer and Town Administrator all disagreed; they do not recommend budgeting everything so closely that the Town has to go to DRA in an emergency. But, pointed out John Wilson, by not doing so, the Town avoids budgetary discipline. How can that 24% (21%) increase be defended. Jessie Levine pointed out that the total increase over the past eight years has been 34%, or 6% per year average. That's pretty good considering how the town has grown. Jim Wheeler asked if 7.5% is necessary. Could that be lower? Carol Fraley said 7.5% is low. The DRA recommends keeping a higher surplus. Mark Kaplan said the town does use almost all of that every year, but since instituting the 7.5%, the Town has never had to borrow in

anticipation of taxes. Connie Appel said she thinks that is practicing fiscal responsibility: on the one hand, it prevents the need to increase taxes to pay interest on loans, but on the other, it is not allowed to accumulate year to year. Barry Wright suggested it would be better to call this a “reserve” rather than a “surplus.”

- o John Wilson pointed out that the CIP comprises 25% of the budget. He suggested the Budget Committee should have more oversight there. Jessie Levine said legally the Planning Board has the requirement. The Budget Committee can decide whether to fund it or not each year. The Board of Selectmen can be authorized *by Town Meeting approval*, to appoint a CIP Committee. Pat Blanchard noted that there are only two CIP Committee meetings. She suggested it would be appropriate for the Budget Committee to discuss the CIP before those, so the CIP representative can bring those thoughts to the CIP meetings. She expressed concern that the CIP is looked at separately from the rest of the budget; doing so skews the appearance of a department’s overall budget.
- o John Wilson suggested that other options for health care benefits be explored, including HSAs. Barry Wright agreed, saying that in the past the Budget Committee has discussed salaries but has felt that it has no control over benefits. Budget Committee members concurred that more and more employers are phasing in increases in employees’ responsibility for their health care (e.g. higher co-payments). Mark Kaplan agreed that study would be good, but cautioned on the importance of remaining competitive. Employee turn over is extremely expensive.

Returning to the discussion of the Budget Committee’s role, Connie Appel opined that it is the Budget Committee’s job to represent the Town, to make a studied opinion, and to present that to the Town. The Budget Committee should be both filter and leader. Ultimately, the Committee’s responsibility is to defend any dollar that is spent in the Town. On the other hand, she noted that the above-referenced undercurrent opinion holders are not working within the system; people who do not attend Town Meeting or vote, vote to be silent. Jim Wheeler agreed with her thoughts on the undercurrent, but asked if the Budget Committee were to go to Town Meeting and say that after a year of study, it does not feel the Town needs . . . , would the voters go along with that? He asked again, is the Budget Committee a policy board or an advisory board. Jessie Levine said both. The Budget Committee’s ultimate job is to make recommendations to Town Meeting. The Committee can get to that point by making policy decisions.

Jack Diemar pointed out that the Budget Committee has never opened its work with a decision to restrict increase to a specific percentage. He suggested considering a resolution to not allow the budget to increase more than 6% per year, and hold the subcommittees accountable to work with the departments within that guideline. Jessie Levine said that so many costs can get out of control now; 50% of the budget relates to personnel costs including health care. She is glad that the Budget Committee has not done that (set a limit on increase) in the past. She suggested that rather than back into a restricted budget, the Budget Committee could call votes internally before its last meeting, and debate things while the department head is still present.

Jim Wheeler said the questions he most consistently hears from residents who know he is on the Budget Committee are: Why can’t the Town maintain the same tax rate? And, why does the budget go up so much? Mark Kaplan pointed out that at the last Town Meeting, voters approved increasing the amount for the mosquito program and the veterans’ credit, as well as passing both bonds by extreme majorities. None of that was in the budget. That tells him that people really want those things. Pat Blanchard expressed concern that people may not really feel they have a choice at Town Meeting, and several Budget Committee members concurred that at Town Meeting, some items can become emotional.

Doug Baxter said the Budget Committee really must ask the tough questions to distinguish between wants and needs. He offered one example: Can the Town get another year of service out of its police cruisers, given that they are being built better these days? Mark Kaplan agreed that it would be a good suggestion, and if the department head can show escalating maintenance costs between the first year and the third year, thus indicating that a fourth year would be cost-ineffective, then at least the Budget Committee will have gotten the facts.

Jim Wheeler said that if the Budget Committee recommends something, it should have a complete understanding of it, and be able to defend that cost. Jessie Levine asked what has failed in that regard in the past? The subcommittees. Jessie Levine pointed out that now that the Budget Committee is starting earlier, there will be more time for each subcommittee to work.

Connie Appel reminded everyone that the original idea behind the subcommittees was that there would be rotation of one member—the senior member—each year. That would allow everyone two years to accumulate expertise in a given department, and then move on to another. Budget Committee members concurred that rotation is advisable, but that everyone should remain on a particular subcommittee for at least two years—the second year being the more valuable. It was agreed that the rotation would not begin this year, but next. Thus the subcommittee member assignments to Administration (to include Recreation this year), Fire and Police Departments, and Highway (to include recycling and now sewer), will remain consistent with last year's.

Jessie Levine cautioned that it is not the subcommittee's role to have their departments apply to them for over expending. John Wilson reminded her that last year, the department heads did provide written narratives regarding their over-expenditures. Jessie Levine said the purpose of that was to explain the over expenditures, not to get permission. She said department heads do ask her before over-expending an item, and it is allowed by state law as long as the bottom line is not exceeded.

Also agreed: the subcommittee assigned to Administration will look into the health care question and put together some comparisons of options.

Also agreed: each subcommittee will include in its study the relevant capital items for that department. In addition, Jessie Levine suggested that one member of each subcommittee serve on the CIP Committee.

The Budget Committee set the following schedule:

Thursday, June 15, 7 p.m.
Thursday, July 20, 7 p.m.
Thursday, August 17, 7 p.m.
Wednesday, September 20, 7 p.m.
Wednesday, October 18, 7 p.m.
Wednesday, November 15, 7 p.m.
Wednesday, December 13, 7 p.m.

Barry Wright suggested the agenda for the next meeting include further discussion of the CIP, and a look at where the town is in the budget to date. Subcommittees can establish their own schedules.

5. Mark Kaplan provided a Selectmen's Update. He reported that the findings of the public works study indicated the potential for increased efficiency in combining the Sewer Department with Highway Department, thus reducing personnel costs among other costs, and allowing for cross training of individuals. The Selectmen and Sewer Department Commissioners have signed a memorandum of understanding that the Highway Department will operate the sewer system, and that has been in effect since May 2. Cross training of employees has begun and for certain work, contracts are in the bidding stage. Although the Selectmen will now administer the sewer department, the sewer commission still exists. It is not yet clear if that commission will be dissolved, or will continue in an advisory capacity to the Selectmen. Of the three Sewer Department employees, one has left and one has left open the possibility of being available for consultation. Ann Bedard will continue serving the sewer department as well as take on the new part time highway department secretarial position. The Sewer Commission will hold a public meeting on June 6.

Pat Blanchard pointed out that there may indeed be a savings to sewer users, but what about those who are not on the sewer; non-sewer users should not have to subsidize those on the system. Mark Kaplan and Jessie Levine said that billing for the respective departments will be kept separate. John Wilson asked if there will be separate billing for equipment usage as well. Yes. Jessie Levine said the only thing they haven't figured out yet, is how to separately bill for her own time.

There was some discussion of the impact of this week's flooding rains on the sewer system, specifically, the horrendous increase in outflow at Georges Mills. Barry Wright said that it is not a closed system then. Jessie Levine agreed that some effort should be made to find where all that is coming from. She has been told that it would be impossible to discover every location where the extra flow is getting in, but she feels that extra amount could be reduced. Suggestion was made that some people may actually be hooking their sump pumps up to the sewer system.

Barry Wright clarified that the billing is based on water usage, but the payment to Sunapee is based on the outflow as metered at the Georges Mills pump station. Correct. Water usage is used to compute the bills to individuals, but the department pays based on the pump meter at Georges Mills. The latter exceeds the former; in other words, the Sewer Department does not collect enough money, and there is some concern about what will happen when they work their "surplus" down to zero. Suggestion was made that flow meters be put on the sewer sides of the houses.

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Meeting adjourned at 9:30 p.m.

Respectfully submitted,

S.A. Denz
Recording Secretary