

TOWN OF NEW LONDON
BUDGET COMMITTEE
OCTOBER 26, 2005

PRESENT: Barry Wright (Chairman), Connie Appel, Pat Blanchard, Jack Diemar, Carol Fraley, Jessie Levine (Town Administrator), Doug Lyon (Selectman *ex officio*), Bob Meck, Clayton Shedd, Jim Wheeler, John Wilson

ABSENT: Doug Baxter

(Prior to the meeting, Budget Committee members received the October 20 revision of the appropriations and revenues print-outs, a spread sheet delineating changes to the proposed budget since the September 15th meeting, the 2004 Encumbered Funds report as requested at the September 15th meeting, the October 5 meeting minutes in draft, and minutes of the October 18 and 20 subcommittee meetings.)

Barry Wright called the meeting to order at 7 p.m. Seven areas of business were addressed at this meeting.

Library

Ginny Foose and Linda Miller presented Tracy Library's proposed 2006 budget of \$363,100. They anticipate revenues of \$362,825 in 2006. The only change in the request since the last meeting is the increase in the auditor's bill (\$1,125 was appropriated in 2005; \$1,400 is requested for 2006). Overall, the largest increase is in fuel. As of September 30 of this year, they have overspent that line item by \$1,389 (\$5000 was appropriated for fuel in 2005; \$6,389 has been spent as of September 30 this year). Given current events, they feel they have to double that request in 2006, to \$10,000.

Clayton Shedd asked why the "Sales of Books" line item under Receipts has been zeroed out. Ginny Foose and Linda Miller explained that that line refers to the employees' purchases of books from the Library's jobber. Treasurer Shelby Blunt has advised a change in the way that is reflected in the budget print-out.

Bob Meck observed that the elevator maintenance line item sees an increase every year, and suggested they look into securing a multi-year contract for that service. Ginny Foose and Linda Miller agreed to do so. Doug Lyon pointed out that the State requires annual elevator inspection and maintenance, but there is very little competition for the work.

John Wilson asked about CIP items for the library. Jessie Levine said the Library has two reserves in the CIP:

- Tracy Library Improvements Reserve into which \$15,000 has been deposited each year in 2004 and 2005, and for which a \$15,000 deposit is requested again in 2006. (Prior to that, in 2003, the deposit was \$10,000.) They do spend part of that reserve every year on building improvements. For example, they anticipate spending \$11,600 out of that reserve in 2006 for carpeting in the meeting room, repairs to the air conditioning in the library, window film, tree work and some painting. On the other hand, they try to keep \$20,000 to \$25,000 in the reserve for unanticipated emergencies. Ginny Foose said that right now they have a leaking roof problem. There is nothing in the operating budget for that type of exigency.
- Tracy Library Computer Replacement into which a deposit of \$7,000 was made in 2005; the same is requested for 2006.

Doug Lyon asked if there is a depreciation schedule for the library equipment. Carol Fraley and Jessie Levine said the Town does not have a depreciation schedule for any of its equipment. Doug Lyon said that would be one way to get an idea of what may be appropriate to allocate for equipment replacement. Government Accounting Standards may require the Town to employ Fixed Asset Accounting in the future, and that would require a fixed asset inventory, though they can have a depreciation schedule without fixed asset accounting. Doing a fixed asset

inventory is labor intensive, and typically a company is hired for that purpose, though they can do it themselves if they wish.

Pat Blanchard asked about the increase in Telephone and Cable, pointing out that since 2004, the combined appropriations have risen from \$2000 to \$3800 (\$1400 was allocated for Telephone in 2004, \$2500 in 2005, and \$2500 is requested again for 2006; \$600 was allocated for Cable in 2004, \$1300 was allocated in 2005, and \$1700 is requested for 2006). Ginny Foose and Linda Miller noted that the 2005 actual expenditures as of September 30th were \$1,794 for Telephone and \$1026.80 for Cable. Jessie Levine said that as a municipal building, the Library should get its cable for free, and pay only for its internet connections. The Library does have 14 computer terminals, and two modems, one of which is wireless, and there was general agreement that the cable billing is not heavier because the Library has public usage of its computers, but that that is the standard fee for two modems, and that large number of computers. Jessie Levine said that Comcast which is taking over from Adelphia will carry on the same contract for two years, then the Town will have to renegotiate the contract.

Pat Blanchard observed that the Library operates differently than other departments, in that the year-end balances do not return to the General Fund. She raised this question: If, for example, the Town doubles the Library appropriation for fuel as requested, and not all of that is spent, is it appropriate that the balance of fuel money be spent on books? John Wilson seconded Pat Blanchard's point that the Library is different in that respect—if the entire appropriation for any of the Library's lines is not spent, they can spend the balance on books, rather than return it to General Fund. The question is, if the Library proposes spending \$23,000 on books, should they spend more than \$23,000 (if it turns out that more is available in their operating budget)? Barry Wright pointed out that on the other hand, the Library must absorb its over-expenditure. This year, for example, they have already overspent the 2005 fuel appropriation, and that overage must come out of their own operating budget.

Everyone agreed that part of the dilemma is that it is very difficult to predict costs, particularly for something like fuel. How can a department come up with an accurate number for that line?

Jessie Levine put three ideas on the table for consideration:

- Since the purpose of a Library is *Books*, should it be a given that any balances in their operating budget will be spent on books?
- As the Library's Town-approved appropriation is paid out monthly, should the final monthly payment be adjusted based on what their November actuals are?
- Should the Committee revisit Jack Diemar's suggestion that a town-wide reserve for fuel be established? She pointed out that that would be one way to keep the actual operating budgets down.

Bob Meck asked if the Town pre-buys fuel, and Connie Appel asked if the Library takes fuel conservation measures. Carol Fraley said that they pre-buy gas, but the Library, Sewer Department, Water Department, and Transfer Station use oil. She added that the Transfer Station uses very little. Yes, they put the contracts out to bid, but are lucky to receive as many as two.

John Wilson pointed out that even if they pre-buy, they have now gone over the estimated amount. Ginny Foose and Linda Miller said the expenditure of \$6,389 under fuel may include some repairs and maintenance that were done to the furnace this year. Also, Carol Fraley suggested the possibility that in anticipating that line for this year they did not multiply the dollar amount by the number of gallons used the previous year.

Clayton Shedd asked if the Library anticipates any major expenses over the next two and a half months, pointing out that as of September 30, the Library had received 77.3% of its anticipated revenues for 2005, but had spent only 61.6% of its anticipated expenditures. Ginny Foose explained that for the Library, salaries and fringe benefits are paid later than for other departments. The Library employees have only been paid through August so far.

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In a follow-up discussion, Clayton Shedd asked about the income from Trust funds. Jessie Levine said that is the interest earned by the Trusts. Clayton Shedd asked about the income generated from the Library's book sales and suggested that that should go into the general fund. Connie Appel pointed out that many of the books at the sale are donated. Clayton Shedd opined that if books which have been purchased by the Town are sold, proceeds from those sales should go into the General Fund. Jessie Levine said proceeds from the book sale go to Friends of the Library. As of last year, the Library no longer has 501(c)(3) status, as it is a governmental entity, and has "adopted" the Friends and the Garden which can be funded by fund raisers. Connie Appel pointed out that Friends of the Library do provide some funds to the Library which otherwise would have to be appropriated by the Town, and therefore this may be a kind of "wash."

Pat Blanchard expressed continued concern about the possibility of the Library spending fuel money on books.

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Doug Lyon moved to approve. John Wilson seconded. There was no further discussion, and the motion was unanimously approved.

Subcommittee Meetings

Barry Wright, John Wilson, Clayton Shedd and Jessie Levine met with Richard Lee on October 18. John Wilson provided a summary of that meeting to the Budget Committee. Between 1993 and 2003, the Highway Department's budget increased 9.1%; however, he noted that in 1994, the Board of Selectmen made the decision to request an allocation of \$204,000 for Paving and Shimming as a regular part of the Streets and Highways operating budget. Since then, that is between 1994 and 2005, the Highway Department's budget has increased only 4.7%, more in keeping with the increases seen in other Department's operating budgets. The subcommittee meeting minutes reflect that in Richard Lee's 33 years with the Town of New London, the Highway Department has added only three positions, but taken on 13 additional center miles of road. John Wilson further pointed out that if one extrapolates the \$11,000 request for the conversion to biodiesel fuel and the \$28,000 request for sidewalk construction (a task which Richard Lee either inherited or adopted, depending upon whom you ask), the Highway Department's request for 2006 reflects only a \$3,000 increase.

He went on to say that in 1995, the Highway Department's deposits into capital reserves totaled \$50,000, so that the total expense that year for the Highway Department was \$588,000. Carol Fraley confirmed that nothing was put into capital reserves for Highway equipment in 1995, but in that year, \$38,000 came out of the reserve for Highway. John Wilson went on to point out that this year, the Highway Department proposes an operating budget of \$1,131,885, plus \$279,000 TCR (deposits into the capital reserves) and \$197,000 capital outlay. Both he and Barry Wright commented on the difference in size between the TCR and the capital outlay. John Wilson said that between 1995 and 2005, the total cost for the Highway Department has increased 239%. Jessie Levine said that in 1999-2000, Richard Lee was asked to put together a list of anticipated equipment replacement or new equipment needs. Also, the sidewalk capital reserve was started in 1998-1999, as well as one for the intersection. Doug Lyon said that prices for equipment have gone up dramatically, but the Highway Department's largest capital items have been the building and the sidewalk and intersection.

John Wilson suggested that a spreadsheet could be developed showing the total outlay for departments. Barry Wright suggested that an analysis across the board would be helpful, that is a spreadsheet showing the departments' operating budgets as well as the deposits into capital reserves. Jessie Levine and Carol Fraley will work on that spreadsheet for the next meeting.

John Wilson went on to note that at the subcommittee's request, the wording for Equipment Lease was changed to Equipment Rental. He opened some discussion of the proposed (for 2007) purchase of a 10-wheel dump truck, noting that the anticipated price of \$95,000 would be for a new, not a pre-owned vehicle. He said it is his understanding that the 10-wheeler would be used primarily for hauling materials. Most of the roads in Town are too

small for use of the 10-wheeler for plowing and require a 6-wheeler for that purpose. Those roads that are large enough to allow use of a 10-wheeler are not contiguous. At the subcommittee meeting, Richard Lee discussed the savings benefits of having a 10-wheeler. However, it was pointed out at that meeting that those numbers showing the potential savings do not take into account the cost of the truck itself.

Jessie Levine clarified that for 2006, Richard Lee asked to move up the date of purchase of the 10-wheeler by one year, which required an increase to the annual deposit into the New Highway Equipment reserve (out of which the 10-wheeler will be paid), from \$29,000 to \$32,000. Doug Lyon said that the \$95,000 cost of the 10-wheeler could be broken down to \$5500 a year over the truck's anticipated 17-year life span, and his sense is that the savings in labor alone would pay for the truck. He suggested that a cost benefit analysis could be developed. Barry Wright agreed that an analysis would be helpful to the Budget Committee who will have to be prepared to discuss this outlay this year, though the purchase is planned for 2007. Jessie Levine said that they could look back over material deliveries and other potential uses for the truck and calculate the amount that would have been saved with the 10-wheeler. John Wilson said that cost of maintenance of the truck should be taken into account in the analysis, and Barry Wright added that the potential for an increased life span for the other trucks as a result of the Department owning a 10-wheeler should also be considered.

John Wilson opened discussion of a question that was raised at the subcommittee meeting: Should the income generated by sale of surplus equipment be returned to the capital reserve whence it came? Currently such income goes into the General Fund. Barry Wright said that returning income generated by sale of equipment to its reserve would give a more accurate picture of the actual cost of running the department. Doug Lyon said the impact on taxpayers must be considered. Usually a purchase and a trade-in are done at the same time, and taxpayers benefit in that way. If a piece of old equipment is sold after the purchase of the new, the income benefits taxpayers by being put into the General Fund. Jessie Levine said that a vote at Town Meeting would be required to put income from sale of old equipment back into the capital reserve (from which the new replacement was purchased). Barry Wright suggested that if that were done, the deposit into that reserve could be reduced the following year.

In conclusion:

- A spreadsheet showing total outlay for each department, that is both operating and deposits into capital reserves will be developed. In response to question from the Committee, Carol Fraley said the State format requires that the line items be in the order presented (with capital items shown all together after the operating budgets), but that a separate print-out consolidating individual departments' operating budgets and capital items could be developed for the Budget Committee. Pat Blanchard asked if that could be done by simply putting the deposits into the operating budget printout as notes. Jessie Levine pointed out that the notes could not be adjusted year to year as spreadsheet data can.
- A cost benefit analysis for the 10-wheeler will be prepared, taking into account the cost of the truck, the cost of sand and gravel, number of trips, labor involved, maintenance, and life expectancies.

Police Department

Jack Diemar, Bob Meck, Jim Wheeler and Jessie Levine met with Chief David Seastrand on October 20. Jack Diemar provided a summary of that meeting to the Budget Committee. Some changes have been made to this Department's budget since it was originally presented to the Budget Committee. The \$600 covert camera has been moved out of General Equipment (along with other fine-tuning, reduces this line to \$5000) into Investigative Supplies (increasing this line request to \$3000). Also, after some consideration, the Chief has reduced the Computer Supplies line to \$1000. The fees for Other Professional Services have been increased by \$1000 reflecting a raise in the County Attorney's bill.

Jim Wheeler said that further discussion with the Chief indicated that the additional hours for the part-time officers will not impact turn over of the cruisers, or increase overtime. Increasing hours for the part-time officers will provide more training for them, keep interest high, get them into a regular schedule, and perhaps in the long-run

reduce the Department's need for overtime hours. It is not the Chief's intention to have two officers in one car during those hours. The cost of the increased part-time hours will be \$6000.

Barry Wright opened some discussion of the capital outlay, particularly planned improvements to Whipple Hall basement (\$75,000 is requested). Jessie Levine said that is partly for the Police Department, and partly for the public.

General Government

Pat Blanchard, Connie Appel and Doug Baxter met with Jessie Levine on October 20, and were joined for part of the meeting by the new assessor, Norm Bernaiche. Pat Blanchard opened some discussion of the \$400,000 overlay. Jessie Levine explained that they are still closing cases from the revaluation. She anticipates reducing that request to \$30,000 next year, as a result of the improved, more efficient and accurate assessing services provided by the new joint assessor. Pat Blanchard pointed out that the \$75,000 requested for New London's share of the new joint assessor does not include the additional clerical hours. Jessie Levine explained that Amy Rankins was already providing assistance to the assessors. The new 30-hour per week position provides assistance not only to the assessor, but to the public, the Selectmen and Town Administrator as well.

Question was raised about whether or not the new joint assessor will be needed if the State were to institute a broad based tax. The answer to that is not certain. It was, however, pointed out that if the State does away with the statewide property tax, the joint assessor could take on more towns, thus reducing the cost to each. Jessie Levine said the new assessor already indicated that it may be possible to add towns in the future.

On a related issue, Carol Fraley reported that health insurance will increase 5.8% and dental by 4.2%. That translates to an increase of \$55,900 in the town's budget.

Encumbered Funds

Carol Fraley pointed out that of the 22 items encumbered, the auditors put four – GIS, Highway Garage (for landscaping), Emergency Wheels, and Bridge Maintenance – into the General Fund. The \$4000 encumbered for Assessing Services will return to the General Fund after this year.

Projected Tax Rate

Doug Lyon pointed out that New London's assessed valuation has risen to \$1,032,847,474. The Town is assessed at 95% market value right now. The co-efficient of dispersion is 10%. The 2005 budget (amount to be raised from taxes) is \$3,937,206. Jessie Levine pointed out that that number may go down, as the Town has not yet received the Rooms & Meals tax from the State, or the funds approved to be spent out of capital reserves. Doug Lyon went on to say that with these numbers, the anticipated, unsubsidized tax rate will be \$3.81, and based on the best information available at this time, the total—that is, town, county, state and local will be \$12.21. The Selectmen are inclined to continue the policy of maintaining a surplus of 7.5% of the total budget. That would allow them to return \$480,000 of the surplus to taxpayers (by using it to offset taxes), and reduce the Town's tax rate to \$3.35 and the total anticipated tax rate to \$11.74.

Budget Committee members observed that State and Local school portions have been reduced by 11.4% and 21.3% respectively. Doug Lyon said that is because the legislature has eliminated the donor town payments. In response to question from the committee about the difference between the state school and local school taxes, Jessie Levine noted that the State bills the utilities directly.

Clayton Shedd suggested considering bumping the amount of surplus up to 10%. Doug Lyon said that in the past, they have found they do not need a surplus that large, as 7.5% has been adequate to obviate the need to borrow cash.

The meeting adjourned at 9:30 p.m. Members agreed to cancel the November 9 meeting, and meet next on November 30.

Respectfully submitted,

S.A. Denz
Recording Secretary