

TOWN OF NEW LONDON
BUDGET COMMITTEE
JANUARY 17, 2007

PRESENT: Barry Wright (Chairman), Connie Appel, Doug Baxter, Pat Blanchard, Sue Clough (Selectman), Jack Diemar, Jessie Levine (Town Administrator), Carol Fraley (Finance Officer), Doug Lyon (Selectman), Bob Meck, Noel Weinstein, Jim Wheeler, John Wilson.

Barry Wright opened the meeting at 7 p.m. The Budget Committee discussed twelve areas of business during this meeting.

1. Minutes-December 13, 2006—Doug Baxter moved to accept. The motion was seconded and unanimously approved, and discussion on the minutes was opened.

A typographical error in the first paragraph was corrected.

John Wilson referred to paragraph six on page three, and asked if it really reflects the discussion that took place at that meeting regarding the role of the Recreation Commission. Jessie Levine said the paragraph accurately reflects Chad Denning's answer to John Wilson's question at that meeting. Bob Meck agreed that Chad Denning did not mention meetings with the Recreation Commission at that December 13 Budget Committee meeting, but he (Bob Meck) has since talked with members of that Commission who indicated that they do have regular meetings. Barry Wright said the sense given at the Budget Committee meeting was that Recreation Director Chad Denning gives more direction than the Commission itself does.

Pat Blanchard referred to paragraph two on page five, and clarified that her statement that night was to the effect that when considering allocating a deposit into the capital reserve for purchase of a Recreation Department van, the Budget Committee must remember that even after the first purchase, there would be a continuing deposit of \$3000 into that capital reserve for future replacement of that van in twelve years. (In other words, the request was for a deposit of \$12,000 each year for three years for purchase of the \$36,000 van in 2009. It would then be anticipated that a replacement would be scheduled twelve years later, necessitating an annual deposit of \$3000 into the capital reserve, after purchase of the first van.)

There was no further discussion on the motion. The motion to accept the Budget Committee minutes of December 13, as amended was unanimously approved.

Further discussion on those minutes:

2. Ambulance—John Wilson asked if there has been any clarification from the hospital regarding the two questions the Budget Committee raised at the December 13 meeting regarding the appearance of both capital expense and depreciation in the same year's budget (paragraph eleven, page 6 of the minutes), and whether it is correct that the hospital plans to run two ambulances backed up by a third. Jessie Levine said she has not yet heard back from the hospital in response to those questions.

Noel Weinstein asked if the Budget Committee has made a final decision to recommend New London Hospital's request for ambulance support from the Town, in the amount of \$86,913, that is \$79,050 for operating support and \$7863 for new ambulance support (the latter would be the first of a five year support plan for purchase of a new ambulance), or is that line still up for discussion. He said the request for support of new ambulance purchase seems to him like a whole new category, and suggested that by buying a new ambulance the Town is really supporting their building renovations in a way. Doug Lyon said that in their request the hospital just built the capital cost of the ambulance into its ambulance budget. He asked Noel Weinstein if the objection is to the principle of that. Noel Weinstein said yes, he feels that the hospital's situation is similar to the VNA's in that they are in fairly good financial shape now. Doug Lyon said he would take exception to that. In fact, the hospital plans to take on debt to do its renovations. He pointed out that most hospitals do not run

ambulances, and he has heard from Bruce King that New London Hospital would like to get out of the ambulance business. It simply is not profitable for the hospital.

Jessie Levine said the hospital is a valuable asset to the Town, and it should be supported. She said that an annual deposit of \$7800 each year for five years is like a CIP for ambulance. She said she does have some question about the way the figures are shown here, and the possibility that those numbers shown for ambulance costs include an apportionment of the hospital's general overhead costs, categorized as "other." She has some concern that if those were removed, it could be seen that the ambulance is not really losing money. She said she has asked for a better breakdown of the figures.

John Wilson asked if the ambulance should be considered in the way any contractor is. Can the Town say it will go out and get some competitive bids for this service? Jessie Levine said with ambulance, it would not be that easy. If New London Hospital does not run the ambulance, the Town would probably have to do so. Though that would generate some revenue because the transports would be billable, the cost of running an ambulance would certainly not be less than \$85,000 and that would not include all the administrative costs. Barry Wright added that if the Town were to run the ambulance it would have to be based in New London, and may necessitate an addition to the fire station or some other facility in Town to house the ambulances. In addition, he pointed out that if the Town were to run the ambulance service, it would have to be making annual deposits into the capital budget for replacement ambulances. He agreed that the question the Budget Committee has now is not so much about the request itself, but about the indication from the hospital that the ambulance budget carries a running loss. He noted that they do use the ambulance personnel for other things in the hospital. Sue Clough agreed, suggesting that that could be documented similarly to the way other departments, the Highway Department for example, documents the time its staff spends at the Sewer Department.

Jack Diemar expressed concern that the capital cost of purchasing a new ambulance has never been brought up before this year. John Wilson agreed, and reminded the Committee that the present ambulance was a donation. Jack Diemar asked if there will be a cap to this type of request to the Town. Where should it stop?

Barry Wright concluded this discussion by saying that it is clear the Committee needs more explicit information on this. Jessie Levine asked if the Budget Committee would like to form a subcommittee to meet with hospital personnel for further exploration of these issues, or should she invite the hospital to attend a full Budget Committee meeting. In light of pressing time constraints, the Committee agreed to invite hospital representatives to attend the January 31 full-Budget Committee meeting for some further discussion of these numbers.

3. Recreation Department Van—Noel Weinstein referred to the suggestion made at the December 13 meeting (paragraph six on page five of minutes), to lease the van for three years, with projected purchase in the fourth year. He confirmed that under that plan, they would start leasing it after March of 2007, and at the end of three years, they will have paid for three years rental, and then in the fourth year go toward a purchase. He calculated that the total cost of that plan would be \$67,200 or \$31,200 more than an outright purchase right away. (He calculated four years of leasing at \$7800 per year, plus the purchase price of \$36,000 in the fourth year.) The plan suggested that in addition to the annual \$7800 lease fee, they put the balance of \$4000 each year into a reserve for purchase. He pointed out that with that plan, for four years they'd spend a total of \$16,000 just for use of a van. Jessie Levine agreed. She said the idea would be to lease and save for it at the same time, but cautioned that Chad has not finished analyzing all the costs yet.

Barry Wright said the question is, does the Town need it, or would this just be adding another vehicle. Now, the Recreation Department leases a vehicle when it is needed, and the cost of that leasing is covered by the program fees. He suggested leaving this out of the 2007 budget, that is, taking the \$12,000 deposit out of this year's CIP, and having this discussion next year when more concrete numbers are available. Doug Lyon asked if the Recreation Department uses the vehicle full time, would it be better to buy it or continue leasing it on a daily basis. Barry Wright expressed concern that there is no master plan for the Recreation Department. He would like to know what programs are planned in the future that will need this van. He would like to see a plan.

John Wilson moved that there be no funding for a Recreation Department van in the 2007 budget. He further moved that “no capital spending be made from the Recreation Department revolving fund and that no new capital spending for the Recreation Department be approved until a complete and working relationship is established with the New London Outing Club.” There was no second to the motion. Jessie Levine said the revolving fund is outside the Budget Committee’s purview; Town Meeting approved the revolving fund and set the parameters for it and those parameters do not dictate that no capital spending would be made out of it. John Wilson moved to amend his motion to delete that reference to the revolving fund and to remove the statement about the Outing Club. Noel Weinstein seconded the amended motion. Sue Clough asked if the amended motion precludes both purchase and lease. Doug Lyon said the amended motion would not prohibit renting by the day. Barry Wright said the motion as amended would preclude a long-term lease. Jim Wheeler said he is not inclined to support that wording as they do not have concrete numbers for leasing yet. John Wilson amended the motion again to add the phrase “for purchase of”. Thus, the amended motion was “that there be no funding for purchase of a Recreation Department van in the 2007 budget.” Noel Weinstein seconded the amendment to the motion. Jim Wheeler seconded the motion to not recommend funding for purchase of a Recreation Department van in the 2007 budget. There was no further discussion. The motion to not recommend purchase of a Recreation Department van in 2007 was unanimously approved. Jessie Levine said Chad will still do a cost analysis on this.

4. Non-Profits—Noel Weinstein referred to the letter sent by the Budget Committee to COA (minutes page five, paragraphs eleven through thirteen), and asked if that wording is strong enough. Barry Wright said the consensus of the Budget Committee was that the issue of the Town determining how individuals spend their charitable dollars is a philosophical one which should be resolved by the whole Town Meeting. To that end, this will appear as a separate warrant article at Town Meeting. It will be up to Town Meeting to accept, reject or modify the request. He said the letters expressed that to COA and VNA, and suggested that they could do a better job of fund raising.

Jessie Levine reported receipt of a letter dated December 20 from Andrea Steele, President and CEO of the Lake Sunapee Region Visiting Nurse Association, responding to Barry Wright’s letter of December 14. The letter thanks the Budget Committee for its decision to support VNA’s financial request to New London, states that VNA certainly does depend on individual and business support as well, but expresses the hope that the Town will continue its support to help with those who are unable to contribute.

5. 2007 Budget and Revenue Projections—Pat Blanchard amended page two of the Appropriations print-out so that it reflects that the Library’s projected Town appropriation is \$388,350. (Their total appropriation will be \$429,400.) On page 17 the Library budget will be reduced by \$41,050.

The Committee went on to discuss recent changes to the projected 2007 Budget. With the two that were made at this meeting: deletion of the \$12,000 deposit into capital reserves for Recreation Department van, and deletion of the \$43,050 of library income from the appropriations print out, those changes (including the reductions and the increases in individual line items) result in a net increase to the projected 2007 budget of \$43,102.64. Jessie Levine pointed out that the bulk of the increases is due to completion of the Wage and Benefit Study, and include costs such as FICA.

Bob Meck asked for some explanation of the \$6000 request for Reverse 911. Jessie Levine said she has negotiated with a company in Belmont that is creating a reverse 911 for public benefit. This allocation will cover a one year subscription to that, including the cost of downloading the 911 data from Verizon. The subscription will allow notification to Town residents for five emergencies during the year, at a cost of about 5-cents per call. Newbury will be part of the arrangement, Sunapee may be, and the school district will as well, though the school district will have a separate data-base. The only down side is that the company does not have GIS capacity, but they can make emergency calls to specific sections of towns by using street names. Question was raised about the fact that this idea came about as a result of the sewer spill, and other problems adjacent to Lake Sunapee. If the Town of Sunapee does not wish to be part of this, how will those people be notified. Jessie

Levine said they would have to create a data base for people living on the water, or using the water, and ask them to sign up voluntarily.

Bob Meck asked to confirm that the new projection of \$21,500 for (twelve, not eight) Police Department tasers includes the cost of training. Yes.

6. Library—John Wilson asked about the library’s CIP, noting that the deposit into the capital reserve for “Tracy Library Improvements” is going from \$15,000 in 2006 to \$40,000 in 2007. Jessie Levine said that \$40,000 is going into a capital reserve for library improvements, and \$28,000 will be taken out in 2007 for that purpose, specifically, carpeting main floor and stairway, reconfiguring circulation area and—under discussion now: new furnace and possibly air conditioning. There is increasing evidence that the furnace needs to be replaced. Over the past two weeks, the library has consumed 900 gallons of heating fuel, pointing to inefficiency in the furnace. So far, two quotes for two different designs have been obtained. Both quotes are for \$26,000 including installation. That does not include air conditioning. John Wilson said that Tom Miller told him that furnace has another three years left. He suggested the possibility of the library fund raising for the air conditioning. Jessie Levine said when she talked to Tom Miller, he agreed that the furnace does need to be replaced.

More recently, they have discovered a leaking problem in the slate roof over both flat sections of the new part of the building, and the possibility that mold may be resulting as a result. One quote for repair has been obtained from Foremost Builders, and that was for \$80,000. They are waiting for other quotes to come in. Some other suggestions include redesigning the roof altogether so that the slope at the top comes all the way down, eliminating the flat portions of roof. That would offer some storage area inside. She said the heating, cooling, and possible need to address the mold situation, may have to be a bond issue. Pat Blanchard said there are all kinds of technologies available to assure that flat roofs don’t leak. Doug Lyon agreed, and said that typically there is a 20-year warranty with a rubber roof. Jessie Levine agreed, and said typically flat roofs have some sort of drainage system built in. For some reason, this roof does not. Jim Wheeler asked if the building has been tested for mold. Jessie Levine said not yet. If mold is found, they may need to reprioritize their capital outlay.

Barry Wright asked to confirm that money in the budget (the \$40,000 deposit into the capital reserve) is for the heating and cooling requirements, as well as to continue their capital reserve for improvements. Jessie Levine has recommended that the new incoming librarian Sandra Licks and the library trustees look at the long range plans for improvements there. She asked the same question regarding the library as she did regarding the hospital—should a subcommittee go and speak to the library director and trustees, or should they come to the full Budget Committee meeting. Again, because of timing, members agreed that the Library representatives should meet with the full Budget Committee on the 31st of this month.

John Wilson raised the question, Should the Budget Committee demand all the specifics before starting a fund. Jessie Levine said for building maintenance there must be some money available for emergencies. The reserve for improvements must cover regular items plus the immediate emergency.

7. Easement for Green Space between Town Office and New London Inn—Jessie Levine said she met with the appraiser today, and learned that if the easement deed does retain for the Inn some right to use the land for business, the easement will not necessarily reduce the valuation of the Inn property, and she has conveyed that information to Bridget Leroy. Bridget may or may not entertain the idea of selling the land outright to the Town. In the meantime, Jessie said they have verbally agreed to the terms of the easement, though not a price yet. If the owner decides to ask a price that exceeds the assessment, it will be up to Town Meeting to decide if it is worth it or not. Doug Lyon agreed, the Selectmen have heard much support for protecting green spaces right on Main Street, but in the event that the asking price is more than the assessed valuation, he advocates letting Town Meeting decide.
8. Round-About—John Wilson asked about cost of utility work for the roundabout. Jessie Levine said hopefully, that is going to be zero. In response to questions about shifting entrances and egresses at those businesses, she

did a chalk board schematic showing proposed changes at Jakes, Sugar River, Huberts and the area beside the pharmacy building. Pat Blanchard asked if there will be information regarding the round-about at Town Meeting. Doug Lyon said they have been and will be doing a lot of preliminary work prior to that night. There may be some presentation at Town meeting, but not a long one. Jessie Levine said she has received some requests that a warrant article be added allowing the traffic light as a back up should the round-about article fail, and the question she and the Selectmen have is, why would anyone even want a less safe intersection.

9. Draft—Budget Information Packet for Public Hearing—Jessie Levine pointed out that as it stands to date, the anticipated expenses and anticipated revenues for 2007 both show 7% increases, though she noted that the two changes made at tonight’s meeting have not yet been calculated in, nor have the bond issues. Barry Wright asked if the blanks under 2006 Budget and Actual (expenses) for Sewer Budget could receive an explanatory note indicating that this used to be under “Sanitation.” A footnote to that effect will be added to the page. Barry Wright asked if the Sanitation expense line and Sewer Budget line could then be put one on top of the other so it would be easier for people to make that link. Jessie Levine said yes, that could be done on this summary page, but not in the expense detail page that follows.

In response to John Wilson’s question about the 7% increase, she says that comparison is budget to anticipated budget, not actual to anticipated budget. The anticipated unsubsidized tax rate for 2007 is \$4.33 up from last year’s unsubsidized rate of \$4.27. Again, the two changes made at tonight’s meeting have not been calculated in yet, nor have the potential bonds. She went on to say that they are anticipating a 1% increase in the Grand List. That 1% is not based on information from the assessor at this point, but is the number they used before the revaluation and building boom.

John Wilson asked about the Meals & Rooms Tax Revenue. No report has been received yet; \$160,000 is anticipated, down this year as result of the rainy summer and mild winter. The Town would rather underestimate revenues than overestimate. John Wilson pointed out that the weather has also allowed a reduction in use of sand, fuel, etc. Jessie Levine said she did float the idea of reducing the allocation for overtime, but was quickly vetoed on that.

Pat Blanchard referred to the narratives on p. 4, where it indicates that the 10% increase in the library budget is due to salaries and benefits, and pointed out that is not really where the increase is. Jessie Levine said that before salaries and benefits, the library’s budget actually decreased. Pat Blanchard disagreed saying their requested appropriation for 2007 in the amount of \$388,350 is a 10% increase over last year’s budgeted \$353,350. Their personnel costs are increasing by \$11,000; that’s not 10%. Jessie Levine agreed to correct that in the narrative.

In response to Noel Weinstein’s question, she said the biggest non-capital increases are for a full time staff member for the Fire Department upon Peter Stanley’s retirement, and the increase in budget for the Planner. Sue Clough said she can speak to the latter, and the increasing complexity of projects coming before the Planning Board. The work requires more calls to both the Planner Ken McWilliams and to Town Counsel. The applications often require subcommittee meetings between regular Planning Board meetings, and the Planner’s attendance at those is critical. In addition they are updating the driveway regulations, subdivision and site plan review regulations. Jim Wheeler asked if, prior to hiring Ken McWilliams, when the Town was relying on Upper Valley Lake Sunapee Region Planning Commission, could all that have been accomplished for less. Jessie Levine said at the time that Ken McWilliams left the commission to start his own firm, the Town knew the hourly rate would be higher, but felt there would be a more efficient use of the time. As it has turned out, the Planning Board has needed more and more of the Planner’s time, plus the hourly fee has gone up. Doug Lyon seconded the comment about the increasing complexity of administration in Town, noting that in the ten years he has been Selectman, the average time for Selectmen’s meetings has doubled. That can be said for every single department.

Jim Wheeler asked about the Master Plan. Jessie Levine said that is a separate account. That work has started this year. (The 2007 request for deposit into the master plan update capital reserve is \$17,500, and the request

for capital outlay in 2007 is \$15,000.) She said that originally, the Planning Commission anticipated a cost of \$30,000 to be spent over a period of three years on the master plan update. As it is, the Planning Board is scheduling five visioning sessions, and several new chapters, and they anticipate the cost will run to \$60,000. She noted that there are savings for this from the deposits made into that capital reserve in 2004, 2005, 2006. Barry Wright noted that the costs for planning and master plan work came to \$58,000 in 2006, and are projected come to \$79,000 in 2007. Jessie Levine said the master plan costs are finite, as are the updating of the ordinances. Barry Wright noted that this comprises a big chunk of the increase under Administrative.

Noel Weinstein referred to the pie charts for expenses and revenues on page 1 of the hand out, and asked if they have observed any radical increase in any one area's percentage within the entire budget. Jessie Levine said no, though there has been on going creep of the percentage of revenues comprised by property taxes within the total revenues. Income from non-property tax sources does not keep pace with the budget, and property taxes have to take up the slack. Noel Weinstein asked if that is consistent with other towns. Jessie Levine said she will look into a comparison.

Barry Wright asked if a history of capital expenditures similar to the history shown for surplus, could be provided. That would show how the amount the Town has put into reserves has grown over the years. Doug Lyon pointed out that that is shown on pages 5 and 10 of the packet. Jessie Levine said that can also be seen in the year-end balances. Doug Lyon said the problem with looking at balances for capital expenses from year to year, is that they show substantial fluctuation when a large capital purchase is made, such as a big truck.

10. Sewer Budget—John Wilson opened some discussion of the sewer budget. Jessie Levine said they will be putting \$96,000 into their CIP, but taking \$40,000 out.
11. Wages, Salaries and Benefits—Prior to the meeting, Budget Committee members had received some comparative data based on the 2006 salary survey, and the spread sheet of labor grades and recommended step increases with each. The goal of the study was to recommend a pay scale that takes into account both the cost of living increase and allows the Town to offer step or merit increases. In response to Jim Wheeler's question, she explained that the two positions for which there is no comparison data—Land Use and Assessing Coordinator, and detective, means that there were no comparable positions in the eight towns which were studied for this survey.

John Wilson pointed out that \$2.5 million of the anticipated budget is comprised by employee wages and benefits, and that is not much discussed. He compared the 6.3% increases to the 3.1% cost of living increase, and pointed out that at that rate in 11 years, employee salaries and benefits will comprise \$5-million in the budget. Jessie Levine said that historically, as wages go in the United States, they are 1% over cost of living. New London offers the 3.3% cost of living, plus room for 3.3% of a step or merit increase. Doug Lyon said the Board of Selectmen spends a great deal of time studying salaries and wages. The Town must remain competitive or face heavy turn-over, which in the long run is extremely expensive. Barry Wright asked about the efficacy of a study that compares the Town's salaries and wages to those in eight other towns which in turn are comparing themselves to New London. He suggested drawing the comparisons from a larger area. Doug Lyon agreed in part, but pointed out that if the Town were creating a salary situation for which there was no competition, they would never have trouble filling positions.

John Wilson suggested that a subcommittee could be formed to address that in similar fashion as the Public Works, Administration, and Public Safety subcommittees. The subcommittee could look at questions as how the benefits are figured, what the wage survey accomplishes, and keep an eye on the retirement situation. Connie Appel said the number of employees could be looked at also. Bob Lavoie recommended caution before considering eliminating any positions. That would require farming out some work, which may or may not be less expensive. Bob Meck, Doug Baxter, and Barry Wright (and John Wilson?) volunteered to form a subcommittee for that purpose beginning with work on the 2008 budget.

12. Budget Process—John Wilson suggested that the Budget Committee establish a closing date for receiving requests for the following year’s appropriations. He suggested that be the December meeting, saying it is inappropriate to be receiving last minute bond and other issues. Both Jessie Levine and Carol Fraley pointed out that that would simply not be practical, and Connie Appel pointed to the library as an example. They have been in a state of flux because of the change in director. Jessie Levine added that health insurance will increase 12% next year, and retirement 20%. Also, there is no way to predict emergencies in advance, as the library roof for example. Relative to the health insurance and retirement, Bob Meck said the Town could take a look at the individuals’ contributions. Jessie Levine said they have studied the possibility of raising individual contributions, and found that in the long run, it would make small difference in the Town budget.

John Wilson said that some fiscal discipline should be required. He pointed out that the subcommittee talked to the Recreation Department in September, but they still don’t have the numbers. Jessie Levine pointed out that the Budget Committee spent the better part of two meetings talking about non-profits, a relatively small portion of the budget. She proposed that the CIP Committee start its work earlier in the year, and have more meetings altogether. Pat Blanchard suggested setting a dead line for those budget items for which there is really not much room for change, so that at the end the Committee is talking only about stuff that couldn’t be foreseen.

Bob Meck said he feels there should be a target budget, and things should be put in priority. He asked how budgetary guidelines are given to departments. Jessie Levine said those should come from the Budget Committee. Jack Diemar reminded the Committee that at the beginning of this year’s deliberations, he did propose setting a cap on budget increases, but that idea was vetoed.

Doug Lyon cautioned against creating a budget process that would be penny wise, pound foolish, that would defer maintenance, and would not allow the Town to remain competitive for employees. He said Departments are required to justify any change in their budget—up or down, and to explain how the allocation relates to what is going to be accomplished. Connie Appel said she recognizes the employee’s diligence, and feels that the departments are fiscally responsible. Barry Wright pointed out that in many cases, state and federal regulations necessitate increases.

Doug Lyon reminded the Committee that it is not unusual for voters at Town Meeting to go ahead and approve an item or increase one that the Selectmen and Budget Committee have not recommended. Two examples of that last year were the mosquito control program and the increase in veterans’ credit. John Wilson said that was because no one knew how much that was going to cost them. Connie Appel said it does behoove the Committee to reduce the statistics to easily understood data, such as cost per household. Doug Lyon agreed and pointed out that to that end, the Budget Information packet has grown over the years from four pages to twelve. At Town Meeting, they do present slides and other means of getting people’s attention.

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At it January 31 meeting, the Budget Committee will meet with ambulance and library representatives. By then, they will have the easement price as well.

This meeting adjourned at 9:35 p.m.

Respectfully submitted,

S.A. Denz
Recording Secretary