

APPROVED
Town of New London
Budget Committee Meeting
October 26, 2009

Present: John Wilson (Chair), Jack Sheehan, Bob Meck, Celeste Cook, Kathy Bianchi, Doug Baxter, Connie Appel, Ann Bedard, Mark Kaplan (Selectmen's Representative), Larry Ballin (Selectman), Tina Helm (Selectman)

Absent: Jim Wheeler

Staff Present: Jessie Levine (Town Administrator), Carol Fraley (Finance Officer), Jay Lyon (Fire Chief), Sandra Licks (Library Director), Chad Denning (Recreation Director), Dave Seastrand (Police Chief), Linda Hardy (Town Clerk/Tax Collector), Richard Lee (Public Works Director), Tom Anderson (Police Officer), Marshall Osgood (Police Officer), Donna Davis (Police Secretary)

Public Present: Bob Lavoie, Erle Blanchard, Chuck Curtis, Brian Jones

John Wilson called the meeting to order at 7:00 PM. The first order of business was to make any additions or corrections to the minutes from the meeting on October 5, 2009.

Doug Baxter said that on page 9, there was an editing error in the motion.

Mr. Kaplan said that on the same page, Mr. Shea's title should read "executive councilor" not "councilor."

Mr. Kaplan said that on page 10, it should say that they felt it was important "to recognize that the department heads and budget committee worked"

Ms. Appel said that on page 6, in the first paragraph, it says that "she had heard that the Newport Court would be closing too." It should actually say that "she said that she had read in the Valley News that the Newport Court could be closing too."

Chair Wilson said on page 1 in the last paragraph, the second sentence drop the word "on."

Chair Wilson said on page 2, the first paragraph, last sentence - after the word "fails" there should be a comma. He also said that on page 4, it should say that Mr. Sheehan "asked" how much. Chair Wilson noted that on page 5, the first paragraph, last sentence "She" should be replaced by "Ms. Hardy." On page 6 "non-expendable" trust fund should be changed to "expendable."

IT WAS MOVED (Doug Baxter) AND SECONDED (Kathy Bianchi) to accept the minutes of October 5, 2009, as amended. THE MOTION WAS APPROVED UNANIMOUSLY.

Mr. Wilson said that regarding page 6 of the minutes from the October 5 meeting he wondered if there had been a decision on the creation of an expendable trust fund for vehicle and equipment maintenance.

Ms. Levine said that she had not had a chance to analyze this. She said that they should wait to look at her analysis before deciding to go through with it.

Referring to page 7, Chair Wilson asked Ms. Levine if the increase in hours for the employee to work at the Brush & Metal Disposal would cause a change in his benefits. Ms. Levine said that it would not change his benefits, as he would still be considered part-time.

Chair Wilson asked about the analysis of brush disposal versus hauling away to the Durgin & Crowell Plant. Ms. Levine passed out an analysis that was completed by Richard Lee, Public Works Director.

Chair Wilson asked about the boats that were still included in the budget for the beaches. Ms. Levine said that it was her recollection that they would move ahead with the boats and at the same time look for alternatives in the form of donations, and to also start charging a fee for the use of boats during the summer. She asked for clarification from the Budget committee if there should be an ad in the Shopper from the Budget Committee looking for boats. Mr. Baxter said that there was a need for boats at the beaches, but didn't feel that it was a good time to ask taxpayers to spend \$9,000 on sailboats. Many on the board agreed with this. Mr. Baxter said that maybe they could place an ad for good, used boats instead. Chair Wilson asked if this should be removed from the budget. They all agreed.

Ms. Bianchi asked Mr. Denning whether the Town's insurance covered liability for boat usage. Mr. Denning said that the Town's insurance did cover boat usage by the public. He also added that there was a test that patrons have to take before taking a boat out on the water and they have to complete all the necessary paperwork before they can even touch a boat.

Brush Disposal: Ms. Levine said that the analysis from Mr. Lee showed that they should continue hauling the brush even though it cost about \$500 more per month. Mr. Kaplan asked what the bunker described in the analysis was. Mr. Lee said that they have to burn the brush within a bunker. The fee described would be to purchase the cinder blocks and to create the bunker in such a way that nothing other than brush was put into it. The ash would also have to be tested before they send a load away. Mr. Lee said that the hourly rates include benefits but do not take into account the disgruntled neighbors. The last time they burned there was smoke that drifted all the way into Job Seamans Acres. It has caused some problems with smoke going into other neighboring areas as well and they have received many complaints from residents. Mr. Lee felt that hauling the brush was a better way to get rid of it. He said that the power plant uses the wood to create steam and he felt that it was a better way to dispose of it.

Ms. Cook asked if there was a cost to charge people for bringing brush. Mr. Lee said that there was not but they had thought of it before. The trouble is deciding the fee and how it would be collected. He expressed that this sort of thing becomes a non-friendly position for the employees at the dump. Fire Chief Lyon said that if a charge is required to drop off brush, there would be multiple people trying to get rid of brush by burning it on their own property instead of bringing it all to one place. He said that whenever there has been an ice storm, the Fire Department is inundated with permits to burn later on, which can be dangerous. He added that fire calls are numerous when the Public Works Department burns at the dump because of the black smoke.

Ms. Appel asked how much wood they could accept. Mr. Lee said they could handle as much as people can bring in but that they were not allowed to take anything over 5" in diameter for burning. He felt that it has been a better process for them to haul the brush away as opposed to burning it. Mr. Lee commented that this process has not added anything to the budget. Chair Wilson asked for any other questions on this. There were none.

Reviewing 2010 Budget: The next item on the agenda was to review the 2009 budget including changes since September 17, 2009.

Mr. Sheehan had some thoughts on this agenda item. He said that he looked at the proposed tax rate that came with the budget showing the projected tax rate based on this projected budget. Without using any surplus, it would bring the tax rate up to \$4.55. Mr. Sheehan understood that the Selectmen had approved the use of \$200,000 in surplus this year that would bring the rate down to \$4.04. Ms. Levine said that when she presents the projected tax rate during the budget season, she always communicates the figure before and after the use of the surplus. She said that in order to compare apples to apples between budget years, one must look only at the before-surplus figure.

Mr. Sheehan's point was that assuming they were not able to use any surplus next year, this budget would require a 13% increase for the following year. He felt that that this was pretty significant and a very difficult sell in the community this coming year. He felt that the Budget Committee should decide what they want as a goal for the increase or whether they want it to stay the same. Then they should look at the budget to see what they could adjust to make it work. Ms. Levine said that the reason the tax rate was so much lower this year was because they made a number of cuts in programs this year. Those will have to be restored in this year or future years, so inevitably the budget will have to go back up.

Mr. Wilson said that he would like preliminary input as to the discussion of the budget and revenue figures for the coming year, given the loss of revenue from the State. After some discussion, it was clarified that the loss in revenue in 2009 amounted to about \$92,000.

Mr. Wilson asked for an explanation of projected revenues. Ms. Levine noted that the building permit fees were increased and that the revenues have started to climb. She also indicated that the Planning Board was going to increase their fees and they have just about met the budget projection for this year. She feels that revenue from these sources will go up in the next few years. She said that at this point it is not known whether they will get any grant revenue next year. Ms. Levine said that the biggest impact to the revenue was the reduction from State sources.

Chair Wilson said that he would like to add to what Mr. Sheehan said and give a point from which to start. He felt that the budget should be flat this year and the tax rate should not go up. He remarked that the CPI was down 1.7 over the last 12 months. Unemployment was up 3 million since last March. Chair Wilson echoed Mr. Sheehan's feeling that from what he has heard from people around town, it would be a tough sell in the next year. He added that the have and have-nots will be apparent in this discussion.

Mark Kaplan said that Mr. Sheehan's idea of establishing a tax rate and working towards that would be short-sighted and could lead the Town into disrepair. Mr. Kaplan said that it was up to the Board of Selectmen and the Budget Committee to provide the Town with the services they really want. For example, many years ago they decided to save money by cutting services, and it was suggested to eliminate the third shift on the Police Department. At that point they realized that was something they could not do; they came to the realization that people in the Town of New London deserve and want certain services. Instead of saying the tax rate should be X, the Budget Committee should ask what it is that makes the Town the way they want it to be. He suggested that Ms. Levine could work with Department Heads; the Department Heads know what they need to run the town.

Mr. Sheehan said that he did not want to suggest destroying or lowering the standards of New London. He thought that the departments had already given their minimum needs and that was the best they could do. Ms. Levine said that this was true and that only the personnel costs had not yet been added to the budget. She went on to say that with respect to the capital programs, all had to be restored because of what was done last year. Even then, there was only one program that showed an increase of what was in the original 2009 CIP. Ms. Levine said that even being restored and making up for the cuts in 2009, the CIP is still lower than the starting point in 2009. She stressed that every department had looked very carefully on how to get their programs back on track without hitting the budget hard. She shared that the only CIP item that is higher than it was two years ago was the library computer improvements and that is something that is necessary for keeping the Library on track. Ms. Levine felt that they would be jeopardizing the town's equipment and programs if they did not maintain the CIP program.

Mr. Baxter said that there are many items in the budget that we do not have control over, such as increases in insurance, worker's comp, etc. Ms. Levine said that with respect to health insurance, her office is looking at other vendors and prices for these things but that doesn't guarantee that it would go down. She wants to bring the best cost to the Budget Committee and to provide the best programs they

can to the staff. Ms. Levine added that aside from health insurance, the property/liability coverage increased 6% and unemployment insurance doubled.

Mr. Meck said that what they don't want to have happen is illustrated by the fact that many people will go to Newbury or Andover on the 28th of October to convince the State that they owe the Town a much better Route 114/Main Street. He does not want the same thing to happen on Town roads, such as not being able to shim or repair roads because of insufficient funds.

Chair Wilson said that they are currently looking at about a 5% increase in the tax rate. In this day in age, that is a big number. He thought the Budget Committee should be sensitive to that and while he understood what Mr. Kaplan was saying, he felt that it wasn't time to turn their backs on the taxpayers as things have not gotten better since last year.

Kathy Bianchi said that this is a time to distinguish between what the Town wants versus needs. She thought the Budget Committee should think about whether things could be put off a bit longer. Ms. Bianchi felt they should look at the proposals long and hard, and sometimes it is the little things that should be postponed.

Ms. Bedard said she felt that they should not be putting savings into the Town's coffers when people don't even have enough to save for themselves right now. She opined that people aren't saving; they are surviving.

Chair Wilson said that at the first joint selectmen's meeting Dan Wolf said he wanted his budget to be 1.2% above CPI, and CPI is -1.7%. Ms. Levine questioned that statement and said she thought they were aiming for a 1.9% increase, and right now the proposed School District budget is 1.9% above last year's budget. Chair Wilson said that if the District's budget increases 1.9% and the Town came in at 5%, that would not look very good. Ms. Levine said that budgeting should not be a contest against the School District. She said that the Department Heads, at the request of the Budget Committee, did as much as they could to give a break to the taxpayers this year. To now use this year's budget and the \$4.04 tax rate as the starting point is offensive given the amount of work that was done last year to postpone projects, take hits, and get a sensible one-year impact. She said that she does not think the Town can afford to drag it out another year and she does not believe that was what they talked about last year.

Mr. Kaplan said that when they get it down as low as they have, they get to the point where the fat has been cut out and now they are getting down to the bone where hard decisions have to be made. He said that is why we have Department Heads to tell us what they really need. He stated that the Town depends on these people to do their jobs. Mr. Kaplan gave an example to illustrate his point: the Budget Committee cut Conservation Commission from \$50,000 to 0 two years in a row. He wonders what they will do. Would they be cut out again? These are the hard decisions. He shared that it wasn't so long ago that Town Meeting voted to spend \$200,000 to give the veterans \$500 each. Could they really afford that decision? Mr. Kaplan said that they can't make the savings they want to make unless they go after these kinds of things, and he does not think they have the stomach for it.

Mr. Sheehan said it sounded as though Mr. Kaplan was looking at things in black and white and nothing in between. Mr. Sheehan stated that the Fire Vehicle Fund calls for a deposit of \$120,000 into capital reserves. Last year they put in \$72,250, and he suggested that this year they could put \$110,000 in instead of cutting it out altogether and make it up incrementally going forward. Ms. Levine said the reason they have capital reserve funds is to be able to save for large items without large fluctuations in the tax rate. The Department Heads analyzed their reserve funds and made presentations to the CIP Subcommittee and convinced them of the saving over the long run. Using the Fire Vehicle Fund example, Ms. Levine said that if you cut the amount deposited by \$10,000, the ladder truck will not be replaced when it is needed to

be replaced, which means more maintenance expenses. She said \$10,000 just happens to be the amount spent on unanticipated ladder truck repairs this year. Ms. Levine said that it might save money in the immediate term to cut things out, but in the long term they will end up paying for those vehicles in other ways.

Mr. Sheehan said that the economics of the country could be different in the next couple years to make up for this loss. Ms. Appel said she felt this type of decision could cost the town a lot of money in the coming years if they had to delay a purchase due to cutting capital expense funds. She said that she does not feel that there is any fat in the budget, and while the easy place to take money from is capital reserves, she thinks it could be a very painful and irresponsible thing to do. Mr. Sheehan felt that there wasn't any fat either but maybe they need to go through item by item and debate each expense that may be a little on the heavy side. He wondered if there was really a need for a new parking lot for \$69,000 or \$9,000 for new sailboats. Ms. Appel said she would rather not have the parking lot constructed than reduce the capital reserves. She said that the capital reserve program is fundamental in maintaining a level tax rate over the last few years, and she wanted to be a voice of caution about the capital reserves.

Mr. Ballin said that the discussion so far has been about manipulating the numbers to get to zero. If a year from now they were still in a crisis, the Board of Selectmen could manipulate the tax rate with surplus to bring it down. He said that the Budget Committee should work on justifying projects on real terms, not because they are aiming for a number.

Chair Wilson said that one thing to talk about was the agenda for future meetings. It seemed like they had put some views out and what they had agreed to do last year was if there was discomfort with particular parts of the budget, they should get the information to the Department Heads before Christmas to have time to look into the recommendations that they had. He said that November 16 was the next meeting, and he was hoping they could review the line-by-line items as they had done in the past. Chair Wilson stressed that he would like to get all parties involved. He asked if anyone had any problems with his idea of going line by line to discuss the budget in more detail. No one did. Mr. Sheehan asked if doing this on November 16 would give the Department Heads enough time to get back to them. Ms. Levine suggested waiting for the December meeting for the line-by-line discussion because there are still changes to be made, such as insurance and personnel costs.

Chair Wilson said the other agenda items deal with non-profits and who they want to appear. He noted that the requests from the VNA, Chamber of Commerce and CAP were flat, as well as COA's request. His question about COA was that their budget was up 22%, yet their request remained flat. Erle Blanchard commented that part of the reason for this was that they had just gone through their own capital improvements process in an attempt to put money away for future needs, whereas in the past expenses were paid in the year that they were needed. He said that this budget included everything for their CIP, and in addition the health insurance for their one employee was up substantially. He noted that there were no significant costs related to programming but that they were getting a lot more requests for services than before. They held a flat budget and were able to get a donation for a generator for the building so they can be a warming center during the winter months. Mr. Blanchard said that the book sale was their newest fundraiser and grossed \$15,000 this year, and their yard sale grossed \$5,200. He said that they are doing more fundraising but costs were going up. Mr. Blanchard said this is the third year in a row they are holding their budget flat and are trying very hard not to need more help from the Town. Mr. Ballin thought their request was fine due to the fact that their budget went up 22%. Chair Wilson reminded all that when the request for \$20,000 was first made, the Budget Committee was told that this figure would not increase. Mr. Curtis, speaking for COA said it would not.

Mr. Meck said he'd like to hear from New London Hospital as their request has gone up by \$9,000. He noted that there were 17 fewer ambulance runs in 2009 than 2008. It was his feeling that the further they

got into this calendar year, costs became less expensive due to drops in gasoline costs, etc. Mr. Meck felt that the \$9,000 increase needed to be laid out to the Committee, and he would not want to see this rise as being due to administration expenses. Chair Wilson asked if it was the will of the committee for a hospital representative to come to the next meeting, and all agree. Ms. Levine said that she would check to see if they would come in for the next meeting.

Chair Wilson asked if the line by line discussion should be at the November or December meeting. He said that the January 11 meeting was there if the administration or department heads didn't feel the same way as the Budget Committee did about certain items. He explained that it would be an appeal-type of meeting. Ms. Levine said the December meeting would be best for the line-by-line discussion. The committee agreed that it was okay to do this in December. Ms. Appel reminded the Committee that the budget had already been gone through line by line at the subcommittee meetings with the Department Heads. Chair Wilson said that they did go through line by line but there was no discussion on how things could be changed or done differently. Once the insurance and personnel figures were included, the budget would change. He suggested that they should wait until all the information was present before going through line by line.

Ms. Levine said she would like an opportunity before the December 14 meeting to talk about the services each department offers and what they do for the Town. She said that subcommittees went over the budgets and what they do but they did not talk about what the goals were of the departments and what was expected of them. She felt that if there was nothing else in the agenda that it would be a useful topic to discuss and would help us prioritize the budget. All agreed.

Fire Chief Lyon said the ladder truck was brought up several times during the meeting. Last year the Fire Department requested \$145,000 after an extensive cost analysis for replacing the truck in 2012 versus 2017. The CIP Subcommittee decided to replace the ladder truck in 2012 because it would save town over \$500,000 over the long run. Chief Lyon said that pushing the replacement back creates the expense of repairing the older machines and forces them to use equipment that is less reliable. Last year's deposit went to \$72,250 when the Budget Committee decided to halve most of the CIP items. They are requesting \$120,000 this year, and not \$145,000, in an attempt to be modest but responsible.

Mr. Lee said there was some discussion of the roofs at the Transfer Station. He said there were three buildings that needed attention. He noted that the cottage leaks and that the other two do not. Mr. Lee shared that the contractors who gave them the price quote said that it would not go up in the next three years unless the cost of materials went up. Mr. Lee said that the roofing projects could be done over three years instead of all at once. He said that a metal roof to be placed over the cottage would be about \$400 more than repairing it.

Mr. Lee said that one other topic he wanted to discuss was about road shimming, as a question was raised at the last meeting. He explained that there were three different definitions of shimming: grader shimming (which he thinks leaves the roads a mess); drag shimming (an example is Hastings Landing, which he felt was not very good; this process seals the road but he felt that it should have another inch of pavement added); and "shim-to-look-like paved," which he prefers, where 1.5" of pavement is laid down. Mr. Ballin said that Potter Place pavement is a good example of poor shimming. Mr. Lee said that the question came up as to why the Town crew does not do the shimming themselves; he said that purchasing the asphalt themselves is cheaper but that there were added expenses for rolling, grading, shimming and flagging while the work is being done. They pay \$62/ton for United to do the whole thing and it is of better quality. He said that he would hate to go back to doing it themselves.

Changes to the requested budget: Chair Wilson asked to review the handout summarizing changes since the last Budget Committee meeting. Ms. Levine drew the Budget Committee's attention to the following:

In the Planning Board budget, she suggested creating a non-lapsing fund for engineering services, because in the past few years the Budget Committee has appropriated \$2500 per year and has not spent it. She recommends creating a non-lapsing fund of \$5,000, using funds from surplus (Town Meeting would have to approve this). Ms. Levine noted that the \$6500 elevator repair was included, although they are still going to seek alternative bids. She said that the \$22,000 for the Transfer Station roofs was taken out of the operating budget and will be spent out of capital reserve funds. Ms. Levine also brought up the discussion regarding the fence on Old Main Street, and said that at the Selectmen's meeting last week with residents of Old Main Street, it was decided to stick with a wood fence instead of replacing it with vinyl, so the \$15,000 expense was removed.

Ms. Levine said that they had made an adjustment for police travel to the Newport Court, and she hopes it is adequate. Ms. Levine said that the sewer building's electric usage had gone down because of all the water inflow work they had done. She said that she is also talking to an electricity vendor who may be able to sell electricity at a reduced rate from PSNH. Ms. Levine thought that the departments were doing their best to trim expenses where they could.

Doug Baxter noted that the sewer computer support license was up under the Munismart system. He asked how many applications the Town uses within Munismart. Ms. Levine said that the Sewer Department only uses the utility module but that it had to be physically at the Sewer office for preparing bills. She added that there was also a module being used in the Tax Collector's office, and that Linda Jackman had the utility module as well to make changes to ownership and addresses. Ms. Levine said that in all, the Town has about a dozen different modules in Munismart, and she could get the information on the exact number of modules for the next meeting. Ms. Fraley said that the annual maintenance costs are about \$1000 for each module.

Selectmen's report: Mr. Kaplan noted that Ms. Levine, Mr. Ballin, Ms. Helm and he went to hear the Governor speak to the Portsmouth Coalition group. They learned that the State may return to the donor town program in a large way. This would affect New London in 1-2 years and they would be responsible for about another \$1 million dollars in statewide property tax. For New London to raise that amount would cause them to add about \$1 on the tax rate. Mr. Kaplan said that the Governor explained that small towns needed to get together with each other and their representatives to persuade their representatives to vote against the donor town program. Mr. Kaplan offered to go down to talk with the people in Portsmouth to see how they could proceed if they decided to work together to avoid the donor town program.

Ms. Levine shared that Pat Remick from the Portsmouth Coalition was going to come to the Selectmen's meeting on November 16 to explain the donor town situation and where they are headed. The meeting would be at 9 AM in the Syd Crook Conference Room. Mr. Wilson asked Ms. Levine to email that information to everyone. Mr. Kaplan said that from time-to-time the Town of New London has sent money to the Portsmouth Coalition to show their support. They have given as much as \$5,000. This year they will send \$5,500 out of the legal budget, so there would no effect on the current budget.

Ms. Appel asked what the alternatives were to raise education funds demanded by the State. Mr. Kaplan said that at the present moment and over the last seven years they only talk about the property tax and donor towns. Mr. Ballin said that they were hoping to retain the "collar" that would keep donor town programs away for the next two years. He thinks that the appropriate way would be to get a constitutional amendment to ban the idea of donor towns. Mr. Ballin said that the Governor wishes they could do that but that he didn't see his office supporting it in this upcoming election year. Mr. Ballin said that he thinks they'll see the gaming industry coming into play to suggest other funding options.

Mr. Baxter asked if New London was included in those suing the State over the State's decision to cut its portion of retirement system payments. Ms. Levine said that they were.

There being no further business, it was moved (Jack Sheehan) and seconded (Kathy Bianchi) to adjourn the meeting. THE MOTION WAS APPROVED UNANIMOUSLY.

Meeting adjourned at 8:35pm.

Respectfully Submitted,

Kristy Heath, Recording Secretary
Town of New London