

TOWN OF NEW LONDON  
BUDGET COMMITTEE  
SEPTEMBER 20, 2006

PRESENT: Doug Baxter (Chairman *pro tem*), Connie Appel, Pat Blanchard, Carol Fraley (Finance Officer), Mark Kaplan (Selectman *ex officio*), Jessie Levine (Town Administrator), Bob Meck, Gus Seamans (Sewer Department Commissioner), Noel Weinstein, Jim Wheeler, John Wilson

ABSENT: Jack Diemar, Barry Wright

As the meeting opened, Budget Committee members received the following materials:

- o Updated (September 19) appropriations print-out reflecting Department's proposed 2007 operating budgets.
- o Attachments to Fire Department, Highway Department, Sewer Department, Tracy Library and Conservation Commission budgets.
- o Spreadsheet showing comparison of 17 towns' Fire Departments—populations, number of calls, staff and budgets, as discussed at the August 17 meeting.
- o Announcement of October 10 workshop on Health Savings Accounts, offered by the Local Government Center.
- o Spread sheet showing over-expended accounts as of August 18.
- o Copy of September 19, 2006 memo from the New London Board of Selectmen to the New London Sewer Department regarding the Sewer Department budget.
- o Results of Jessie Levine's research into the issue of funding non-profits.

Doug Baxter called the meeting to order at 7 p.m., and the Committee addressed six areas of business during this meeting.

Minutes- August 17, 2006

In response to John Wilson's question, Bob Meck clarified paragraph one on page one under the subcommittee report for the Fire Department. The Fire Department owns two pumps. The portable pump which is part of the pumper apparatus needs to be replaced, and question has been raised about whether that cost--\$8000, should be covered under the operating budget or in the CIP. Jessie Levine said that will be going into the regular operating budget. The second pump is integral to the ladder pump, and that is the one which they have only recently learned is about to fail. The Fire Department is trying to come up with ways to cover that unanticipated expense, and have even given consideration to postponing replacement of the tires and rims on the fire truck. At this meeting, however, Jessie Levine said that the Selectmen have instructed the Fire Department to not postpone replacing the tires and rims, but to go ahead and overspend the budget if necessary in order to repair the ladder truck pump.

John Wilson asked about the comparison sheet for Fire Departments, included in tonight's hand-outs.

Bob Meck moved to accept the minutes as amended. Jim Wheeler seconded. No further discussion. Motion unanimously approved.

CIP Committee Update

The CIP Committee did not meet on Monday. The Budget Committee representatives to the CIP—John Wilson, Pat Blanchard, Bob Meck—expressed some concern that so far there have been only two meetings, and they have not yet decided anything.

The Budget Committee discussed the recently discovered funding shortage problem for the Town Planner, and Jessie Levine reported that Ken McWilliams has volunteered to complete a draft of the CIP with the three charts. She reminded everyone that this is the first year that New London has contracted with Ken McWilliams as an independent contractor rather than through Upper Valley Lake Sunapee Regional Planning Commission. His hourly rate increased by five dollars, and the Town also covers the first hour of travel. She said that even before Ken decided to leave the Planning Commission, New London did increase the budget for Town Planner in consideration of some of the major projects that were on going, but as it has turned out, that increase has not covered the increase in his hours this year.

Some of the overage can be covered under the legal line, and some with the Selectmen's discretionary fund. Peter Stanley will draft the critical ordinance amendments for presentation at Town Meeting, and revision of the site plan review and subdivision regulations will be postponed until after January. (The latter require only a public hearing by the Planning Board, not passage at Town Meeting.) She, Karen Ebel and Ken McWilliams will take a look at the increase in number of hours that he has put in this year, to see where specifically it differs from previous years. By the end of August of this year, Ken McWilliams had worked 392 hours strictly on planning, not including work on the regulations and ordinances. Jessie said that the Planning Board Chair and members, as well as members of the public, do make heavy use of his time and expertise, and issues such as the proposed Harborview subdivision have been quite time consuming. She confirmed that Newbury also contracts with Ken McWilliams, and so far that town has not run into a similar funding problem.

Mark Kaplan went on to point out that Ken McWilliams has been New London's planner for 18 years, and when he decided to leave UVLSRPC, the Town felt it important to maintain his expertise and the advantage of having a planner so familiar with the history of New London's regulations. Furthermore, he pointed out that the Town is now entering another ten year cycle with its Master Plan, and Ken McWilliams was here throughout the Master Plan process for the first ten year cycle. Budget Committee members agreed that for that level of planning expertise, and quality, the additional expense is well worth it.

Regarding the CIP Committee's on going work, Bob Meck said that in particular, they must further discuss the capital expenses for the Sewer Department, and the years for which those are scheduled.

Pat Blanchard asked if estimates for air conditioning the library had been obtained yet. Carol Fraley said no; furthermore, the Library now feels it needs to appropriate \$25,000 to put into a reserve should its furnace fail over the next year.

Jessie Levine, John Wilson, Pat Blanchard and Bob Meck will schedule a meeting by email, to further discuss CIP issues. That may or may not coincide with Ken McWilliams being here for a Tuesday Planning Board meeting.

#### Proposed 2007 Budget

Jessie Levine reported nothing unusual in the 2007 proposals so far. She estimates \$700,000 for the sidewalk and round-about project, but will have a more precise number after bids for that come in. 80% of that will be covered with a grant.

She has been approached by David Seastrand regarding the possibility of purchasing 8 tazers for \$12,000. His suggestion was that the Police Benevolent Association could cover half the cost. At this meeting, Jessie recommended that if it is determined that these are a necessary piece of equipment for the Police Department, the Town budget should cover the entire cost. She feels that the benevolent association should not be used to replace the Town budget function, but should be turned to for extra things, for example, a universal gym or something they may want in the refurbished basement of the Town Hall. John Wilson agreed, but pointed out that a lot of the Fire Department things are acquired that way.

Doug Baxter observed that the Town Hall cleaning line item is down \$4,000. Jessie Levine said yes, for the time being.

John Wilson asked about the Town's annual market analysis. Jessie Levine said they are going to look at the market annually. This year, the assessors have determined that no adjustment is necessary, as there has not been enough movement in the market to increase or decrease property values. John Wilson asked if less movement in the market makes a case for lower values. Jessie Levine and Carol Fraley said no, there must be actual sales to determine lower (or higher) valuations.

John Wilson asked about the status of the surplus. Mark Kaplan said that as of December 31, 2005, the surplus was \$900,000. The year before at that time it was \$600,000. So the Town is in a better position now then it was a year ago. There are more funds available to reduce the tax rate. John Wilson expressed some concern that the Highway

Department is running a little high, and asked if that will impact the surplus. Jessie Levine and Mark Kaplan said no, the Town will have at least as much as last year to offset taxes.

John Wilson asked about the Grand List. Jessie Levine said it has gone up this year by about four million, not quite so grand an increase as previous years, but that is explained in part by the fact that there has been less building in Town this year, and in part by the fact that the Town is still addressing appeals from last year's assessments.

John Wilson asked about the conservation land purchase mentioned by Peter Stanley at the CIP Subcommittee meeting. Jessie Levine said there is no news yet.

Connie Appel asked about the plans to convert to bio-diesel fuel. Carol Fraley said that Richard Lee has told her that he has found out that the warranties on the vehicles will not be impacted by a switch to bio-diesel fuel, and has instructed her to go ahead and get bids for that. The line item for conversion to bio-diesel shows a zero proposed budget for 2007 because they can encumber the money allocated for that last year.

Doug Baxter asked what percentage of the total budget are the benefits. Carol Fraley will be able to provide that precisely, as soon as they get the updated figures for 2007. It will be a little lower this year, as all departments have not been fully staffed.

Jessie Levine said that Don Bent asked if money for the mosquito protection program should be put into his budget again this year, and they have done that—\$32,000 allocated for Disease Prevention. She reported that none of the tests done in New London had positive results which meant that less testing was necessary. However, the heavy rains created new wet areas, which meant that more mapping had to be done, thus increasing the labor costs. Noel Weinstein asked if this is going to be a continuing expense. Jessie Levine said it will at least be a continuing discussion. If tests continue to return negative results, the Town will have to decide how long it wishes to continue the program.

Connie Appel opened some discussion on the line for Hazardous Waste Day, projected at \$9000 for 2007. She said she has heard much discussion favoring having more hazardous waste days. Jessie Levine said the hazardous waste days—including all the necessary paperwork, are expensive to sponsor, and pointed out that earlier in the year they had an electronics recycling day, and so spent only \$3551. This year, they plan to have at least one recycling day for electronics and one for the gooey stuff, so they project spending the entire \$9000. In the past they have done this in conjunction with several other towns, but have run into difficulties with long lines and wait times. On the other hand, it would be quite expensive to do it alone. So this year, they think just New London and Wilmot will have the two hazardous waste days. This can be a topic for the Public Works Subcommittee to discuss with Richard Lee.

Jessie Levine reported that Jay Lyon anticipates receiving grant money to allow the Fire Department to purchase several full sets of firefighter's gear. In his attachment to the budget, Peter Stanley explained that they would like to buy four instead of three full sets this year. With the integration of the NFPA-required rescue drag system, the cost of each set has increased by \$200 to \$1650. Much of the firefighter's current gear is old and worn. Also, part of this expense (\$13,100 requested for 2007) is for outfitting the new position that is proposed.

#### Sewer Department Budget

Jessie Levine and Carol Fraley pointed out that the Sewer Department budget has been worked into the Town's overall budget under General Government Buildings, Sewer Department Department, Capital and Debt categories, though its expenses will be covered by user fees. The attachment provided at tonight's meeting shows the Sewer Department's projected 2007 budget to be \$645,150 not including \$39,000 for loan recapture and \$87,000 to be put into a capital reserve, and its projected revenues for 2007 to be \$615,000.

Budget Committee members reviewed the September 19 memo from the Board of Selectmen to the Sewer Commission, expressing concern about that department's finances, and urging Sewer Commissioners to seriously consider increasing sewer user rates in an effort to establish a balanced annual budget, and at this meeting, Budget Committee members concurred with that recommendation.

Gus Seamans reported that the Department has spent substantial funds at Georges Mills, and has drawn down its reserve. The \$275,000 bond will be used to reestablish its reserve, though he noted that the bond should have been taken out for \$350,000. He expressed concern that between 1997 and 2007, the sewer rates will have increased by 50%, and the Commissioners are hesitant to raise them more. In response to question from the Budget Committee, he said the sewer cost for a typical household is about \$250. They are billed according to how much water they use. For those few houses without water meters, a different system for billing is used. John Wilson asked how that compares with other towns. Gus Seamans said New London is near the top. Jessie Levine said they can get those figures from DES.

Mark Kaplan said his take on public opinion is that non-users will not pay for sewer expenses, and he expressed concern not only that it appears that the Department will continue to run in the red on a continuing basis, but also that the State is going to levy fines for the April 2004 spill at Georges Mills. A more recent, smaller leak has occurred at Georges Mills, and Jessie Levine went into some detail describing that. If the State levies a fine for that smaller spill, it will probably be in combination with the fine for the larger April 2004 spill. John Wilson asked if there is any more PVC pipe in the system. There is, but DES has said that it is acceptable to use. There is some consideration being given to taking the broken piece of pipe in for analysis to discover exactly what caused its failure. Doug Baxter asked if insurance will cover any of this. Gus Seamans said insurance will not cover the fine.

Gus Seamans went on to say that they do not know yet what is going to happen with the Sunapee plant. New London will cover 65% of whatever that cost will be. As yet, there are no big numbers in the CIP to cover that. He noted that a sewer system is important to the Town of New London—to its Main Street businesses, the college, hospital, etc., and he asked at what point do they go back to the taxpayers at large. (At the August 17<sup>th</sup> meeting, the Budget Committee did discuss the fact that in 1979, New London taxpayers funded the cost of extending the line to Sunapee.)

Mark Kaplan agreed that New London owns 65% of the plant's capacity, and that so far, it has not hit that 65%. Gus Seamans clarified that it has on certain days, but not overall. Mark Kaplan agreed that heavy rains and infiltration into the system have increased the flow. They have learned that going over the entire system to find and stop points of infiltration would be cost prohibitive and would not result in a proportionate reduction in that flow. He said that at some point, the increase would potentially overrun the capacity of the plant at Sunapee, and flow into the Sugar River which is the source of drinking water for several towns downstream. He noted that NH DES and the federal EPA are not going to allow that, but will dictate that changes be made to the Sunapee plant.

Returning to the projected budget, Connie Appel said revenues must meet the anticipated expenditures, and she cannot see how to avoid increasing the rates. Noel Weinstein expressed concern that this projected budget doesn't include the anticipated fines, anything for capital reserves, or anything set aside in anticipation of changes at the Sunapee plant. Jessie Levine said they have proposed to the attorney general's office that the Sewer Department spend \$40,000 on an infiltration study as part of its fine, but they have not heard back on that yet. That expense is included in the proposed 2007 budget. She said the Sewer Department does have \$150,000 in capital reserve, but the prospect of the Sunapee plant cost is so huge, and so imminent, that they have not put a number in. She noted that the Town of Sunapee has not put a number for that in its budget either.

Bob Meck suggested that the operating costs of the sewer should be covered by users, but that some consideration could be given to having the Town cover some of the capital items, given the benefit to the whole town in having a sewer system. Mark Kaplan asked about state and federal grants. Gus Seamans said that supply has been exhausted. Connie Appel asked about potential for expansion of the sewer system in New London. Gus Seamans said there is not much opportunity for that in New London.

Noel Weinstein asked if it would be the residential users or the businesses who would object to an increase in rates. Gus Seamans said the question the Commissioners have is, how far can they go, how quickly can they raise rates? They do not want to push the big users out of Town. Connie Appel pointed out that in the context of current real estate values, a rate increase for sewer may not be objectionable, and if there are individuals who have problems, perhaps something could be worked out for those.

Mark Kaplan pointed out that if the Department raises user rates by half, that would fund all of its operating budget and a deposit into capital reserves, except for money to be set aside for the Sunapee plant. He added that decision (to raise rates) must be made by the Sewer Commission, not by the Board of Selectmen or Budget Committee. Budget Committee members agreed, but suggested that the Budget Committee could submit a letter parallel to the Selectmen's memo, and both those Boards could absorb some of the burden in educating the users about the need to raise rates.

Bob Meck asked if there is any differentiation in how rates are calculated. Gus Seamans said no, rates are calculated the same way for everyone, based on amount of water usage. The college and hospital are the biggest users. Jessie Levine and Carol Fraley said about 700 sewer bills are sent out, but some developments as the Seasons and Highland Ridge receive only one bill (those residents cover their individual unit sewer usage in their monthly fee to the association). Other developments such as Hilltop receive an individual bill for each unit. The college receives several bills. None of these have a set contract for sewer costs; rather the bills are based on amount of usage.

Jim Wheeler pointed out that the cost of an individual residential septic system is \$25,000 and its anticipated life span is 25 years. That's \$1000 per year, plus cost of having it pumped out every three years. So the sewer system users get a bargain.

Mark Kaplan agreed with the Sewer Commissioners not putting a number in for the Sunapee plant until DES and EPA does its study. It is hard to plan for something you do not know. They do know that New London's cost will be 65% of that. Bob Meck said the budget should factor in ten-year planning. Jim Wheeler agreed, asking why not start a capital reserve for that now. He said he is not sure that the taxpayers are going to agree with funding the Sunapee plant, just because they funded the extension of the pipe to Sunapee in 1979. Connie Appel said she too is unsure whether or not the non-users will agree to pay part of the cost for the Sunapee plant. She said that should be figured into the Sewer Department's budget.

Mark Kaplan opened discussion on how to get this information regarding the Sewer Department's need to balance its operating budget, and the advisability to raise user rates, to the public. Connie Appel said that Jim Wheeler's comparison is quite illustrative, and perhaps a chart showing that comparison could be made available. Carol Fraley said that that kind of information should go out to users before the bill mailing in late October. Budget Committee members agreed that it behooves the Sewer Department to at least speak to the big users as the hospital, college and cleaners, before sending them a bill reflecting rate increases.

#### Non-profit Agency Funding

Budget Committee members will review Jessie's research and discuss this at the next meeting. Carol Fraley cautioned that if the Committee wants the non-profits to submit their requests on a certain form, they should get that out as soon as possible.

#### Selectmen's Update

Mark Kaplan said that overall, the combination of the Sewer Department and Highway Department into a single Public Works Department does seem to be paying off. Now, the Sewer Department requires about four hours of labor a day—and they were still able to respond appropriately to the latest spill. Previously, the Department had two employees at eight hours a day.

Question was raised about whether or not people who live on the sewer line are required to use the sewer, and whether or not an increase in rates would motivate people to get off the sewer line, and get individual septic systems. Jessie Levine said the law does require anyone living within 100 feet of a sewer line to be on the sewer system, however New London's Sewer Department has not in the past enforced that law. If rates increase now, people currently on the system probably would not be allowed to get off it, in order to build individual septic systems.

Budget Committee members agreed that if the Sewer Department wants its funding to be supplemented by the Town in the future, it needs to get its books in order. John Wilson asked to clarify that the Budget Committee oversees the

Sewer Department budget, but cannot set rates. Mark Kaplan confirmed that the Sewer Commissioners are elected officials and they set the rate.

Noel Weinstein asked if it is the Budget Committee's job to go over every line in the Sewer Department's budget. He suggested that the Budget Committee simply point out to the Sewer Commission that several items appear to be missing from its budget—fines, capital reserves, anticipation for the Sunapee plant growth. The Sewer Commission should be told that the Budget Committee feels those items should be included in the budget, and that revenues must be sufficient to cover that total budget. Mark Kaplan expressed some concern that the Sewer Commission will respond to a recommendation that it balance its budget by reducing its operating appropriation rather than by raising rates. The Budget Committee and Selectmen can try to persuade them to raise rates.

John Wilson asked if the Budget Committee can recommend a rate. Mark Kaplan suggested recommending a simple 50% rate increase. John Wilson expressed concern that the Budget Committee show that it has done its homework, and come up with a more precise number for rate increases. Mark Kaplan agreed with that, but pointed out that the increase should also include building the reserve back up.

Jessie Levine said that a worst case scenario would be if nothing is done to balance this budget, there could at some point in the future be a higher level of "interference" (from the State). Mark Kaplan agreed that it is important that New London maintain its fiscal probity. The Budget Committee voted to draft a letter with the comparison chart to be submitted parallel to the Selectmen's letter. In that way, the Town will have shown effort to address the problem, and that it is willing to do some of the educating, and to take some of the "flak" that will result from rate increases.

Question was raised about order of procedure. Should these letters go to the Sewer Commission first, and if there is no response, then go out to the sewer users? That decision was put on hold for the moment. Jessie Levine said the Sewer Commission will meet again on October 3, and will not be setting rates until after that. She suggested that the Public Works subcommittee of the Budget Committee could attend that if they wish, and then meet with the Sewer Commission after that October 3 meeting.

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The meeting adjourned at 9:15 p.m.

Respectfully submitted,

S.A. Denz  
Recording Secretary