



Warner Municipal Budget Committee

Meeting Minutes
Thursday, January 19, 2017

APPROVED

Chairman Mike Cutting opened the meeting at 7:02 pm.

Committee members in attendance:

- ◆ Mike Cutting - Chair
- ◆ Kimberley Edelmann - Vice Chair
- ◆ Alfred Hanson
- ◆ John Leavitt
- ◆ Jonathan Lord
- ◆ Martha Mical
- ◆ Pete Newman - Water Precinct representative

Excused:

- ◆ Allan Brown - Selectmen's Rep

Also present: Jim Bingham - Town Administrator, Clyde Carson - Selectman, John Dabuliewicz - Selectman, Marianne Howlette, Ed Mical, Judy Newman-Rogers, Michael Simon - Library Trustee, Nancy Ladd - Librarian

1. Meeting Minutes

The minutes of January 5 were approved pending minor corrections which Martha said she would discuss with Kimberley on the following Monday.

2. Agenda

Mike noted that there were a few topics for the evening, including:

- ◆ Warrant articles
- ◆ Capital budget
- ◆ Operating budget
- ◆ John Leavitt's request for additional agenda items

The committee agreed to review John's requested topics first.

3. John's Requested Agenda Items

On December 30, 2016, John sent an email to Mike Cutting, cc'ing the Budget Committee, suggesting additional agenda items. The Selectmen and Town Administrator were not copied on that email.

The topics included:

- ◆ A request for separation of the funds for the highway department. That had since been done.
- ◆ Looking into booking revenues received after January 1 against the previous year.

Jim asked John for clarification regarding his concerns about revenues. John said he wanted to know why revenues received after the first of the year were not always posted to the new year. He said the question had been raised at a meeting in July.

Mike said he understood that revenues that were incurred in one year and received a few days into the new year could be posted against the old year. Jim said that could only be done if tied to an expense. For example, in December, a request for reimbursements from the State for the roundabout were sent out. However, the check might not be received until sometime in January. The check would then be posted against the receivables to clear the receivable out, finishing with a zero balance waiting for reimbursements. Jim added that plain revenue would get posted in the year received. It was only when the revenue was applied back to a pre-existing invoice or commitment that reimbursement is tied to, that's when it was done. The auditors recommended doing this to keep the books clean, otherwise receivables and reimbursement revenue don't match up in the same year.

Jim said there were not many instances when revenue arriving at the beginning of one year would be posted to the previous year.

John said the question came up because of a discussion in July. He could not recall the details of the conversation and asked if anyone else could recall the conversation. No one could.

Martha said she would imagine that by putting revenue against the prior year, then when it came time to set the tax rate, that revenue would have been in the General Fund. Therefore, it could be used to offset the tax rate. She asked if that was correct.

Jim said if the Town submitted to the NH Department of Revenue Administration that X amount of revenue was anticipated for reimbursement, but then it didn't come in until January, the actual revenues would fall short. That affects the fund balance. It is only in cases where it was known that there would be a reimbursement that ties back to a project. It would clear the books and give an accurate reading of actual revenue and anticipated revenue. Otherwise, revenue was booked in the year it came in.

Alfred asked if it would be better to start the fiscal calendar year to February 1st. Kimberley said that would just move the problem to February. Alfred disagreed. He felt a lot of the issues were related to highway expenses, work that would not be done in winter. He asked for an example of a problem that would travel over to February.

Clyde Carson noted that by NH statute, Towns can choose to start the fiscal year on either January 1 or July 1. February 1 was not an option. Alfred asked why not start the fiscal year in July. Clyde said the Town would have to vote to change the fiscal year. Also, the Town would have to have enough money allocated to run the Town for 12 months plus the additional 6 months.

Mike asked John if there were any other issues he wanted to discuss. John would not recall his third issue. Martha said one of the things John had brought up was that some of the numbers in the Town Report had changed... John interrupted, pointing out that was from another email he had sent out.

4. Warrant Articles

The committee agreed to review the warrant articles.

Article 4 - Solar Array

Martha noted that the Selectmen had just met. She asked if they had finalized article 4. Clyde said the wording would change but the numbers were good. The NH Department of Revenue Administration (DRA) would be advising

the Town on how to set up an Expendable Trust so that the revenues that came in would be applied strictly to the electrical bills and the solar array maintenance.

John asked if that meant the General Fund would be bypassed. Martha said revenues would go into the Expendable Trust.

Mike asked at what point surplus would be returned to the Town. Clyde said he expected to have more money in the Trust that the array would cost. The funds would be used to pay for anything oriented towards electricity.

Jim asked Clyde if he was thinking of having a code to apply all electric invoices for Town buildings to that Expendable Trust Fund. Clyde said he would not do that. But if he had excess, surplus, it could be used to help pay the electric bills.

Martha felt that if the Town was being paid by public service and receiving credits, clearing the first year, cash positive, there should be a surplus. Clyde noted there would be payments for the solar array. If there was anything left over, it could be used for electric bills. However, he wanted to maintain a balance for unforeseen maintenance.

Alfred asked how long the array would be financed. Clyde said he was talking to three organizations. He was looking at 2% financing for 12 years with CDFA. He had also spoken with Lake Sunapee and Sugar River but they had not gotten back to him.

Alfred asked how much the surplus would be each year. Clyde noted it would be a few thousand dollars. Alfred asked if the savings were still there without the surplus. Clyde explained that the solar array would pump electricity into the grid. Eversource would pay for the energy. Sale of energy SRECs would provide a fixed amount of revenue each year. The total would cover the payment of the solar array. If Eversource sends a check for \$20,000 and SRECs sell for \$5,000, that's \$25,000 revenue. If the payment for the solar array was \$20,000, there would be a surplus / profit of \$5,000.

Alfred asked if it made sense to apply the surplus to the note to pay down the loan. Martha noted the Town would still be paying the electric bills. The faster the loan is paid off, the better. Alfred added that it was important to make sure the loan can be paid off early.

Jim asked how having a Expendable Trust Fund would impact the operating budget. Clyde said that would be a question for the DRA to answer.

Jim noted that when there was a bond, it was built into the operating budget. With the solar array, the revenue would go into the General Fund which could be used to offset the tax rate. What he was hearing now was different. Clyde recommended waiting until they heard from the DRA.

Mike asked Clyde to clarify at what prices Eversource would buy and sell electricity. Clyde said he had met with CDFA that same day. The contact there said that because of the size of the array (under 100kW), whatever is produced by the array would first get applied directly to the transfer station meter. Electricity produced over and above that would be purchased by Eversource at the same price that Warner purchases it. Clyde added that he would be meeting with the PUC (NH Public Utilities Commission) during the next week to double confirm that.

Martha asked if the highway department would be hooked into the array. Clyde said only one meter could be hooked up. Martha noted that the transfer station uses more power than the highway department.

John asked why not have the two departments put onto one meter. It would cost money to make that change. Clyde pointed out it wasn't necessary as the Town would be earning the same amount as the cost of electricity.

Kimberley wanted to confirm her understanding. The Town was going to spend a lot of money to build an array. Some energy from it would be used by the transfer station. The rest would be sold to Eversource. The Town was also hoping to make money from SRECs traded in Massachusetts. Meanwhile, for the next 12 years, the Town would be paying electric bills for everything except the transfer station. The Town was still budgeting full electric costs except the transfer station. So for 12 years, the Town was going into the power generation business,

generating and selling power. All while still paying for electricity. Clyde said that was the case.

John asked Clyde about the reimbursement rate. Clyde said whatever the kWh rate was, whatever went into the grid would be paid for at the same rate that Warner was charged for electricity.

Alfred wanted to confirm his understanding: After credit to the transfer station was complete, from that point on would the rest of the power generated be sold to Eversource? Clyde confirmed that to be the case, saying Eversource would send Warner a check. The money would go directly into an Expendable Trust. Alfred asked what those funds would be used for. Clyde said it would cover the loan and maintenance.

Alfred asked if that money could be used to offset the electrical costs for the rest of the Town. Clyde said once the array was fully paid off, all the money could be used to pay the electrical funds.

John said the money would go into the General Fund, assuming the Expendable Fund was not approved. Clyde said he expected the revenue would equal or exceed the current electric bills.

Alfred noted it would make a difference about how the Expendable Trust was written. He wanted to ensure the Town would be able to use the money. Martha said the Expendable Trust wording would have to specify that the funds would be used to pay electric bills, financing and maintenance of the solar array.

Alfred suggested the Trust could mature at 12 years, for the life of the loan. He was concerned about the surplus. He wanted to make sure it could be used and, if desired, applied to the loan payments. Clyde said that was the goal.

John said the Trust could go on forever; 25 or 30 years. If the fund built up to the point of having \$500,000 after all the electric bills were paid, they could go to Town Meeting and ask citizens if they wanted to move the money to the General Fund. He was pretty sure people would vote for that.

Kimberley asked why having an Expendable Trust Fund was better than putting the revenues directly into the General Fund and showing the expenses in the operating budget. Clyde answered, saying that in the previous year, a serious objection was stated by someone who claimed the Town would get the revenue and use it for something else. The Expendable Trust was an effort to address that concern. Clyde fully agrees that the revenue should be applied to the solar array. The opposing view, however, was that the revenue would be applied to something frivolous.

Kimberley asked if there were any other benefits to having an Expendable Trust Fund. For example, could the money in the fund be invested? Clyde said that would be up to the Trustee of the Trust Funds.

Jim said what he was hearing was a misunderstanding on the part of some people about the General Fund. He wondered if someone was misinformed about how finances in Town worked. The General Fund money can't be taken without approval. He did not see the numbers making an advantage.

John said the biggest advantage, if written properly, was that all of the Town's electrical bills would be eliminated. The savings would be \$4,000 to \$7,000 per year after the electric bills are paid. Mike, Kimberley and Clyde pointed out that John's assumption was flawed.

The Town would still have to pay electric bills, which Martha stated was around \$48,000 per year. Mike added that there would be insufficient revenue to cover the electric bills while there was still a loan to pay. After the 12 year loan was paid off, the revenue would cover the electric bills. Clyde said that was not guaranteed, but was likely.

Kimberley noted that the future fire station would also need electricity. John suggested it should have its own solar array. Kimberley said she had been thinking along those lines, but it had not yet been discussed.

John said he now understood. The \$4,000 to \$7,000 could be used to offset the electric bills. John felt with LED lighting, the savings would increase. Clyde confirmed that the more electricity the Town reduced its consumption of electricity, the more revenue the Town would make.

The numbers presented in the draft warrant article were as follows:

Amount	Description
\$64,935	Rebate from the Public Utilities Commission
\$10,000	1st year loan payment, raised through taxation
\$263,595	Loan or long term financing
\$338,530	Total cost to construct the array

The warrant article also would request authorization of the issuance of up to \$263,595 of bonds or notes in accordance with the provisions of the Municipal Finance Act (RSA 33).

Article 5 - Operating Budget

Mike read, "Shall the Town vote to raise and appropriate the sum of \$3,079,486 as the 2017 Operating Budget for general municipal operations?", then noted that the committee would be discussing it later.

Article 6 - Property Reval

"Shall the Town vote to raise and appropriate the sum of \$20,000 to be added to the previously established Property Revaluation Capital Reserve Fund?" There was no discussion.

Article 7 - Employees Expendable Health Trust Fund

"Shall the Town vote to raise and appropriate \$7,000 to be placed in the previously established Employees Expendable Health Trust Fund? This Fund is used to partially reimburse participating town employees for approved and deductible health expenses."

Martha said it seemed to her that expenses other than deductibles was being included. Jim said he had recently received data from employees regarding anticipated chiropractic needs, but the Board of Selectmen had not discussed it yet. They were still collecting information.

John Dabuliewicz confirmed that present article only covered deductibles.

Martha said that the new article would add other stuff, saying that once the money was expended with the current fund, there was nothing left for the year. Martha believed Allan said money could be added from another line. Jim and another person said "no".

Jim clarified that the expendable fund was the money that would be used. He said it was not expected that \$10,000 would be expended in one year. Martha argued that the Board added "other approved health things". Jim said that needs to be discussed. If there were a strong objection, now was the time to make it. Martha said she had a strong objection. She thought it was not fair to the employees because a few people could use up the \$10,000 in the first three months and then no one else would get their deductibles.

Judy noted that the trust was set up for a specific purpose and asked if the current one would need to be dissolved to make room for the new one. Kimberley was also concerned about that, if the wording was changing, and how the public would be made aware of that; she wondered what the process was for that.

John said he read the 2013 Town Report and found that was when the fund was established. Martha felt it was much older than that. Kimberley remembered it had been established while she was on the Budget Committee.

Article 8 - Police Department Vehicles

"Shall the Town vote to raise and appropriate the sum of \$25,000 to be added to the previously established Police Department Vehicle Capital Reserve Fund?" There was no discussion.

Article 9 - Future Fire Station

"Shall the Town vote to raise and appropriate the sum of \$182,000 to be added to the previously established New Fire Station Construction Capital Reserve Fund? Of this amount \$82,000 to come from the General Fund (unassigned fund balance) and the balance amount of \$100,000 to be raised through taxation."

Kimberley noted that on this article, the numbers had been updated. John said after the previous week, he had expected the numbers to be higher.

Alfred felt the article should reference Phase 1 and Phase 2 in the description, since that was what the money was being raised for. Kimberley noted that the fund itself was set up to cover all phases. Jim added that funds raised but not expended during Phase 1 and Phase 2 could be applied to Phase 3.

John did not have a problem with the wording of the article, but did have a problem with not yet knowing how much the entire project was going to cost. Kimberley, a member of the Fire Station Building Review Committee (FSBRC), responded explaining that to come up with the full cost, there was much more work that needed to be done. John said the architect could provide a per square foot figure. Kimberley said Anthony provided the best figures possible based on the current conceptals.

Kimberley shared that just the night before, the FSBRC had reached some big decisions including flat roof versus pitched roof and the size of the doors. She explained that those decisions would have a big impact on the construction costs. After that meeting, the architect had more information to hand to the construction manager who was tasked with coming up with more numbers.

Marianne Howlett asked if a decision about the strip of land along Split Rock Road had been reached. Jim explained that the Town would be provided a deeded right of way. The work on that was still being reviewed by attorneys.

Alfred asked how the figure of \$82,000 had come about. Jim said the Board of Selectmen wanted to utilize money that had already been raised through taxation. The \$82,000 was part of the anticipated operational surplus. The money could be left sitting until next October to be used by the Board of Selectman to reduce the tax rate. Or it could be applied to a Capital Reserve Fund (CRF) to immediately lower the amount of money that needed to be raised through taxation.

Alfred asked if the \$82,000 was known in October. The answer was no; it was impossible to predict operating expenses. Mike cited winter storm expenses as an example. Ed Mical added that since the 2016 budget ran until December, any surplus discussed in October 2016 would have been from the 2015 budget. It was impossible to predict and therefore apply towards the tax rate the surplus of the current year's operating budget during that same year.

Article 10 - Fire Department Vehicles

"Shall the Town vote to raise and appropriate the sum of \$90,000 (Ninety Thousand Dollars) to be added to the previously established Fire and Rescue Vehicle CRF?" No discussion took place.

Article 11 - Fire Department Equipment

"Shall the Town vote to raise and appropriate the sum of \$10,000 to be added to the previously established Fire Equipment CRF?" No discussion took place.

Article 12 - Highway Road Construction

"Shall the Town vote to raise and appropriate the sum of \$100,000 to be added to the previously established Highway Road Construction CRF?"

Martha noted that there was \$82,000 coming out of the General Fund and another \$10,000 for the Transfer Station. However, the refund from the regional was \$20,000. She would want to see \$10,000 of that be applied to the

Highway Road Construction, either increasing the amount to \$100K or \$110K; either way.

Clyde asked why she wanted to do that. Martha said that there really should be \$200,000 or \$300,000 into the fund each year. Martha noted that she moved to Pumpkin Hill Road in 1990 and it had not been given attention since then. She wanted to see the road get fixed.

Mike reminded the Budget Committee that the Warrant Articles were written by the Board of Selectmen. The Budget Committee could not alter them, but they could provide input. The Budget Committee would later vote to recommend or not recommend the articles. Clyde added that someone could always move to alter the amounts at Town Meeting.

Article 13 - Highway Equipment

"Shall the Town vote to raise and appropriate the sum of \$100,000 to be added to the previously established Highway Equipment CRF?" No discussion took place.

Article 14 - Bridge Repair / Replacement

"Shall the Town vote to raise and appropriate the sum of \$20,000 to be added to the previously established Bridge Repair / Replacement CRF?" No discussion took place.

Article 15 - Department of Public Works Facilities Improvement

"Shall the Town vote to raise and appropriate the sum of \$25,000 to be added to the previously established DPW Facilities Improvement CRF?" Mike asked what the plan was? Martha said it involved sprinklers.

Jonathan asked if the insurance premium for the facility would be reduced once a sprinkler system was in place. Jim said that was a good question.

Article 16 - Preservation of Town Records

"Shall the Town vote to raise and appropriate the sum of \$10,000 to be placed in the previously established CRF for the Preservation of Town Records?" No discussion took place.

Article 17 - Contingency Fund

"Shall the Town vote to establish a contingency fund for the current year for unanticipated expenses that may arise and further to raise and appropriate the amount of \$10,000 to be placed into the fund? This sum is to come from the General Fund. Any appropriation left in the fund at the end of the year will lapse to the General Fund." No discussion took place.

Article 18 - Transfer Station Equipment

"Shall the Town vote to raise and appropriate the sum of \$10,000 to be added to the previously established Transfer Station Equipment Capital Reserve Fund? This sum is to come from the General Fund and no amount needed to be raised through taxation."

Mike asked what that the next big expenditure would be. Jim said funds were being set aside in case the compactors would require major repair or replacement. He believed the Transfer Station was in pretty good shape regarding skid steers and storage.

John Dabuliewicz and Mike talked about the age of the compactors. One was original. Another was purchased sometime after the TS opened. The big horizontal one was purchased as used equipment. All are under a maintenance program, but they won't live forever.

Article 19 - Pillsbury Free Library

"Shall the Town vote to raise and appropriate the sum of \$24,000 to be placed in the previously established Library Building Capital Reserve Fund?" No discussion took place.

Article 20 - Sidewalk Fund

"Shall the Town vote to establish a Capital Reserve Fund for the purpose of setting aside Town funds to use as "matching funds" for Transportation Improvement Grants from State and Federal Agencies as well as funding repairs and improvements to town walkways, and furthermore to raise and appropriate the sum of \$5,000 to be placed in this fund?"

Clyde said that this had come up earlier in the week at a Selectmen's meeting. They wanted to submit a proposal for the State's 10 Year Plan for the engineering of a complete street path from the center of Town to the roundabout. The first step would. John Dabuliewicz said the State, when looking at grant applications, will look to see whether funding has been put aside for the project. Clyde said it is shown in the Master Plan, in the Charrette, and a small CRF will demonstrate more commitment.

Jim noted that in the version submitted to the Department of Revenue Administration (DRA) and the version that would be presented at Town Meeting, the article would also note that the Board of Selectmen would be authorized to expend the funds.

Article 21 - Fall Foliage Festival Financial Assistance

"Shall the Town vote to raise and appropriate the sum of \$20,000 to assist the Warner Fall Foliage Festival Committee in paying for the cost of the site work on the new town parking area adjacent to the school? The owners have granted a permanent ROW easement to the Town to use this developed section of their property for additional parking as well as during the Fall Foliage Festival."

Mike asked if the intent was to have this as a one time payment or the beginning of ongoing annual support. Jim said it was a one time deal.

Martha noted the the total cost of the project was in the region of \$36,000. The Festival was also asking the school for \$11,000, but the school budget process was already done for the year. Martha said that when the school did not hook into the Town's drainage system, they dumped their water onto the neighbor's land. That land was now the parking lot and to make it, drainage work was done.

John asked why they wanted \$20,000 in one year instead of \$5,000 for the next four years, especially since the contractor was willing to accept payments. Marianne said she believed the Festival wanted to be fair to the contractor. Marianne agreed that additional parking was worth it.

Kimberley asked what happens if the property was sold. Jim said the easement would stay with the Town.

Article 22 - Veterans Tax Credit

"Shall the Town vote to adopt the provisions of RSA 72:28-b, All Veterans Tax Credit? If adopted, the credit will be available to any resident, or the spouse or surviving spouse of any resident, who (1) served not less than 90 days on active service in the armed forces of the United States and was honorably discharged or an officer honorably separated from services and is not eligible for or receiving a credit under RSA 72:28 or RSA 72:35. If adopted, the credit granted will be \$500, the same amount as the standard or optional veteran's tax credit voted by the Town of Warner under RSA 72:28."

Kimberley asked who would be speaking to the article at Town Meeting. The answer was Paul Violette.

Alfred said he believed there already was a veterans tax credit. Martha confirmed there was, but that it did not cover all of the periods. It covered veterans who served during times of war. The new credit would also cover the Korean

War, as well as from 1975 to 1990.

Martha said she went to the Census Bureau. They believe there are 340 veterans in the 03278 zip code.

Martha noted that there are currently 140 veterans signed up. If the other 200 veterans sign up, she estimates it will increase the tax rate by 35 cents per \$1,000. If everyone signed up, the cost would be \$170,000 total per year. Kimberley noted that was the equivalent of a large warrant article.

Jonathan asked if the credit has to be \$500. Could it start at \$100 instead. Martha said that it couldn't, because the Town had already voted for \$500, which is the maximum.

Alfred asked who did the record keeping and what the process was. Martha said the veteran would come to the Town Hall to sign up, show Martha their DD214 (US Department of Defense Form 214, Certificate of Release or Discharge from Active Duty) and then she would confirm their qualification.

Article 23 - Voting Hours

"Polling hours in the Town of Warner are now 8:00 am to 7:00 pm. Shall we place a question on the state election ballot to change polling hours so that polls shall open at 7:00 am and close at 7:00 pm. for all regular state elections beginning in 2019 (To go into effect)?"

Mike noted that the Budget Committee only reviews warrant articles which involve money. John noted this one would since there would be an additional hour of work.

Discussion between Mike and Town Clerk Judy Newman-Rogers followed as they tried to figure out how the additional hour would impact the budget.

Clyde noted that the warrant article would not take effect until at least 2019.

Kimberley asked what had happened with the grass roots effort to move Town Meetings to Saturdays. John Dabuliewicz explained that had the idea been presented as a warrant article, only people who attend the Wednesday evening Town Meeting would be voting. Instead, they will survey the public during elections on the day before, allowing for more voices to be heard on the matter. John said they might need some help from volunteers.

Jonathan asked if there was an online poll that could be taken. Martha said a lot of people don't like to give out their email addresses.

Alfred asked if the Board of Selectmen are allowed to change the day and time of Town Meeting on their own. Judy said they are, but they are looking for the public's opinion.

John Leavitt said he was originally opposed to the Saturday Town Meeting due to parking restrictions. But with the additional parking area, that problem was resolved. Now he liked the idea.

5. Operating Budget

Mike noted that the budget was basically the same as the one presented the week before. He asked Jim to highlight differences. Jim said he would do that and also talk about other changes that impact the bottom line.

Line 127 - Pine Grove Cemetery Lawn Care

Jim said they were talking with the Trustees to establish what money in the trust funds was restricted. Martha said she heard that at the recent Selectmen's meeting, only \$3,200 needed to be paid back to the Trustees of the Trust Funds. She assumed that had been paid and wondered what else was covered in the \$10,602 spent in 2016. Jim said there was \$5,500 from 2015 that was requested from the Trustees, the check was written, but the check was being held. There was another couple thousand that had been incurred and paid, but would need to be reimbursed.

Alfred asked when the Town took over care of Pine Grove Cemetery. Martha said it was in 2010. He asked how much money was moved with that care. Martha answered \$22,000. Alfred asked where it was. Martha said the Trustees of the Trust Fund had it. Alfred asked how the money was earmarked. Martha said that \$21,000 could be used for care of Pine Grove Cemetery until it ran out, which it did without anyone realizing it.

Alfred asked Jim who maintains Pine Grove Cemetery. Jim said that Gary Young and Lane Monroe do the work, they bill the Town, the Town pays them, the Town sends the invoice to the Trustees of the Trust Funds, the Trustees then pull money out of the account to reimburse the Town. The Trust Fund has a limit to what can be spent. The problem was that the invoices exceeded the limit. Therefore, the money would not be reimbursed by the Trust Fund.

Mike suggested that better communication between the Trustees and the town administration needed to be improved. Jim pointed out that was not the issue. Instead, it was the Cemetery Trustees who needed to pay closer attention to their own funds. The Town pays the invoices and then forward them to the Trustees of the Trust Funds.

Alfred wanted to know when the \$22,000 was depleted. Martha said it was around 2015. Alfred asked if it really costs \$8,500 per year to maintain that cemetery. At \$8,500 per year, the \$22,000 would have been spent sooner. He didn't think the numbers add up. Martha noted that each year is different. Some years you don't have to mow as often.

Kimberley noted that in the Report of the Trustees of the Trust Funds in the 2015 Annual Report, Pine Grove Cemetery was shown as having an ending balance of \$49,351. Martha said between \$43,000 and \$47,000 was money that was set aside as perpetual care and therefore could not be spent.

John believed the reason \$8,500 being requested, line many lines in the budget, was to cover the "worse case scenario". He believed that's why there was always a surplus in the budget at the end of the year. He felt the surplus was too big at the end of the year.

Line 249 - Street Lighting

This was changed to \$10,700 to reflect the actual amount spent in 2016. Martha wondered why Jim did not set it to \$10,728 to set it to EXACTLY the same as the 2016 spent.

Line 216 - Highway Building Supervisor

Mike noted it had been broken out, as requested, so that the committee would have a better idea of how much was spent on the building supervisor. He asked by \$10,374 was being requested when only \$8,191 had been spent in 2015. Jim said there was a salary increase and it was based on 520 hours per year, 10 hours per week. Kimberley asked if he started on January 1 in 2016. Jim said there was one pay period for which they didn't have his records.

Line 8 - Employee Compensation Study

Alfred asked what kind of information a compensation study would provide to the Town. Jim said he contacted MRI, Municipal Resources, Inc in Meredith, NH. They would be evaluating the job descriptions and compare them to similar job descriptions in other towns. They would establish job grades and salary ranges for each job. The work would provide a framework for evaluation of jobs going forward. The study would drill down to the difficulty of tasks within jobs. They may recommend a grade or step program.

Kimberley asked if other Towns in the area had also done wage compensation studies and if any had used MRI. Jim said he was aware of other firms. John Dabuliewicz added that they would be asking other Towns.

Alfred asked, when the study was done and the parameters are set, would support follow to help maintain it. In the study, would they look at the whole picture? Clyde said that he did not believe MRI would be looking to see if the Town could afford their recommendations.

Jim said he believed MRI would provide a method of evaluating a position and the responsibilities in the position, as well as how they compare to other similar positions in other municipalities. Based on what the Town can afford, they would work with the Town to establish a grade & step system to compensate fairly. It would provide a more objective

way to establish the value of a job based on the responsibilities.

Kimberley asked if it would cover wages or full compensation including insurance.

Judy said New London did something similar and the resulting comprehensive report was on their website. Numbers and weights were given to each category; summarizing high, low and medium for each category. The report made recommendations. She felt it was informative. Clyde noted that at the end of the day, it was the Selectmen's job to make the final decisions.

John Dabuliewicz noted that currently there was no effective way to measure the value of any particular job. The study would help.

Kimberley said that in the corporate world she had been involved in wage studies. One thing she had observed is that job descriptions don't always match what people were actually doing in their jobs. She said that was something else that needed to be considered. Jim agreed and shared that he had undertaken that kind of comparison in a previous job.

John said one of the problems he had with pay raises given in Town was that performance did not appear to be a factor; everyone would get 2%. Those who did not perform well, got 2%. Those who did well, also got 2%. He did not believe that was fair. Kimberley added that by giving everyone 2%, the spread between the lowest salary and the highest salary widens. Judy added that some people get increases outside of the 2%, such as new hires or step raises, also increasing the gap.

Line 104 - Town Hall Building Maintenance Salary & Line 216 - Highway Building Supervisor

John pointed out that the budget committee asked for the wages of the supervisor to be broken out so that the budget committee could analyze it, therefore, he wanted to discuss it some more.

John noted that the wages for the Town Hall Building Maintenance Salary line showed \$7,214 spent in 2016 and \$12,731 in 2015. In 2016 it was \$8,191. Martha Mical noted that the previous maintenance person, husband Ed, retired during 2015, therefore \$7,214 represented a partial year. Also, Ed would work up to 690 hours per year. The Highway Building Supervisor was being budgeted for 520 hours. John noted that the \$10,374 being budgeted for 2017 was less than the \$12,731 spent in 2015.

Marianne Howlett interjected that sometimes Ed did other things that another young man was now doing. For example, Ed used to shovel the front walk. Now the young man was doing that.

John decided that there was not a real comparison. Mike said that was what was requested, but without keeping track of every person for every minute, it would be impossible. Punching cards while plowing, and so forth.

John wondered if the request shouldn't have been made. Mike said that wasn't what he was saying. Kimberley said it was an interesting exercise. If the job description for the Highway Department includes building maintenance, then it will fall under their labor. Does the committee still need to have the wage broken out or could the committee turn to Jim and say, "Thank you. We learned a lot but don't need the breakout any longer." If not, what is the committee trying to measure and what would be done with the information?

Alfred felt leaving the Building Supervisor line in place would provide better visibility regarding building maintenance issues. If the number goes up, he would then ask the Selectman why it was going up and what buildings were having problems. Clyde said he saw value in the information, as well. Mike noted it only talked about supervision, not actual labor. Labor could be done by more than one person.

John felt it was costing the Town more money to do maintenance. John said the role of the Building Supervisor was sold to the budget committee as a way to save money. He was not convinced that was the case. Alfred answered, "Time will tell." He noted the whole program had changed. For example, if you had a part time guy shoveling snow for less, that was a good thing.

6. 2017 Tax Rate

Mike moved discussion to the tax rate. He had asked Martha to come up with an estimated tax rate. The municipal tax rate in 2016 was \$8.87. Based on the current budgets, it was estimated to come in around \$9.82. If the Selectmen decide to apply \$100,000, it would drop down to \$9.47. Mike stressed this was just an estimate.

Martha noted she did not include any new veterans in the calculation.

Mike said the reason the tax rate was high was because the revenue figures were very conservative, as always. Martha noted there were no big projects; there were no big grants expected.

Jim asked Mike if he recalled what the budget committee estimated the tax rate would be in their January 2016 meetings. Mike went through his records said it was \$10.18 without application of surplus. Jim pointed out that in the end, it turned out to be \$8.87. That's \$1.31 less than what the budget committee estimated.

John said it was impossible for the budget committee to estimate the tax rate. Committee members don't know what the Selectmen would decide to do with the surplus. They won't know what the revenues would come in during the year. Mike added that the Selectmen don't know those things either until October when they set the tax rate. Martha added that the value of the Town would likely change before then. Also, veterans might sign up for the tax credit. So many variables.

Kimberley asked if the new liquor store would be paying taxes. Martha said Market Basket would be paying taxes.

John asked if it would be better to tell voters by how much each warrant article would increase taxes. Martha said the Town used to do that. Kimberley said it's still an estimate, but that it had been done in the past. Mike wondered if people would really understand the impact. Alfred suspected a lot of people are able to compute their taxes during Town Meeting.

Martha noted that \$8.87 was just for the Town. The full tax burden was \$27.34 per \$1,000 if you included everything.

7. Next Meeting

Mike brought up the question of whether another meeting was needed before the Public Hearing. The committee agreed that the meeting of Thursday, January 26 be canceled. The next meeting :

- ◆ Thursday, February 2 - 7pm; Public Hearing at the Town Hall

Martha said "the sign" would be in place alerting citizens to the meeting.

Ed Mical pointed out that the deadline for petitioned articles was February 7. If any involve money, the budget committee would need to review them. Martha noted that the budget committee schedule noted that as well.

Mike informed the committee that he planned to be present at the February 2 Public Hearing, but beyond that he had business travel planned.

Alfred asked when the committee would be voting on the Warrant Articles. Mike said it would likely be at the February 9 meeting. Jim suggested since many of the articles were pretty straight forward, the committee could vote on some after the Public Hearing on February 2. Everyone agreed to play it by ear. The first priority was to listen to the public. After the Public Hearing, the committee would decide whether to vote on some or all of the articles.

Martha and Alfred stressed that the final wording of the articles needs to be presented.

Mike asked if the committee were to hold a meeting on January 26, what purpose would it serve? Kimberley said she wanted to see the final figures, but did not feel a need for a meeting. Mike said the surplus was looking like \$130,000 after encumbrances.

Kimberley made a **MOTION** to cancel the January 26 meeting. Jonathan seconded. Alfred wanted to know if the

operating budget was final. Jim said that from the Selectmen's point of view, it was the final budget. The Selectmen were not going to be meeting before the next meeting. The committee voted unanimously to note meeting on January 26.

Secretary's Note : *At this point, several people got up and left, assuming the meeting had been adjourned. Although it felt like it for a moment, the meeting had not actually been adjourned.*

8. Final Year End Figures

John wanted to discuss the letter and spreadsheet regarding 2015 expenditures. He said he had serious concerns about that, especially when talking about getting final numbers for 2016 in a couple weeks, when the final numbers of 2015 did not finish changing until December 2016.

Secretary's Note : *On January 3, 2017, John sent a letter and spreadsheet to the Town Administrator. He expressed concern about differences between figures in the 2015 Annual Report between the budget reports of the Bookkeeper and the Selectmen / Budget Committee. He also noted that some figures from the 2015 Annual Report did not match historical data presented in the "spent" column of budget worksheets used in budget committee meetings of January 21, 2016, November / December 2016, and December 27, 2016. John's highlighted question in the letter was, "When will the 2015 books actually be closed?" Copies of the letter and pdf version of the spreadsheet were emailed to the budget committee and Selectmen on January 2.*

That same day, Jim Bingham responded via email to John, copying the budget committee & Selectmen [sic] :

" John,

Tracey and I will look into this but my initial hunch is that many of these changes that you bring up are due to journal entry adjustments the auditor submits to the finance office to bring the earlier reported Town Report figures (unaudited) in line with the auditor's actuals. Sometimes these journal entry adjustments are not submitted until late the following year (Nov. or Dec. of 2016 for 2015 audit). These journal adjustments occur for a number of reasons that Tracey can rattle off easily, IRS and health insurance refunds, backing out payroll expenses when the a pay period goes into the next calendar year, etc.

That said, it should be a practice to provide a copy of the final audit report to the Budget Committee Chair and take the time to have the expense lines from earlier years in our excel spreadsheets reflect the JE adjustments from the auditors. We want to make sure that the expenses that we present are as accurate as possible. I have a copy of the audit report for 2016, which just came in last week, set aside for Mike Cutting.

Jim "

Jim replied again in much more detail on January 11. That second reply included [sic] :

" As John noted, there can be differences in reports. It is important to stress that each generated report is a snapshot of financial data at a given point in time. Actions which can result in updates to the financial data include:

- ◆ Annual audits, the results of which can impact data of the previous year*
- ◆ Identification of miscoded data, then corrected*
- ◆ Tight printing deadlines while data is still being finalized*
- ◆ Data entry errors, found and corrected*
- ◆ Timing of excel reports & YTD comparisons which show expenses year to year in the same time frame*
- ◆ Invoices and payments occurring close to the end of the year "*

Jim's long response went on to address specific differences John had identified.

Kimberley asked John if had read Jim's response. He said he had. She asked if he still had questions after that; he

did. She asked if had spoken with Jim about it. John asked why he should respond to Jim when Jim wrote a letter to the budget committee and not to himself. John said he wrote a letter to Jim and he had not received a response to that. John said Jim chose instead to write a memorandum to the budget committee. John had nothing to respond to until there was a budget committee meeting; now he would respond.

Kimberley pointed out that John had sent the letter to Jim without the budget committee approving the letter; it was sent by John as a citizen, copying the budget committee. The budget committee was not involved in the authoring of the letter. John noted that was a good point to make for the record. John noted that his letter to Jim regarding the spreadsheet clearly stated that he was not speaking for the budget committee; it was created in response to the fact that several Warner residents had expressed concerns about the 2015 expense reporting.

John stated that in his opinion, the Bookkeeper's expense report in the Annual Report should not differ from the Board of Selectmen's and Budget Committee reports. He understood it was a snapshot. But it should be snapshots from the same point in time. He also said that the memo stated that the bookkeeper processes over 2,700 invoices annually; he was surprised it wasn't two or three times more than that. He did not see that as a heavy burden.

John's concern was that the 2015 expenditures numbers changed after the books were closed in January 2016.

However, John said he found the \$1 rounding errors to be the most disturbing. He said that computers round the same way every time; two different computers could get different numbers, but he was under the understanding that the bookkeeper generated the reports, so the numbers should not vary if coming off the same computer.

Martha said she does a report on one computer that if she asked for "Standard Totals" it would give her one number, if she asked for "MS-1 Totals" it will be \$10 off, every time.

John felt the if the same computer was in use, by the same person, the numbers would be the same. He suspected there were two sets of information out there; which would explain a lot of the differences he found.

John asked if the coding error in the benefit line was identified prior to the audit, why did the November and December budget worksheets show it in the "spent" column?

John said it was unfortunate that a lot of time was spent by the Town Administrator and Bookkeeper in responding to his letter. He noted that mistakes were costly. He found the mistakes and seeing the 2015 numbers changing disturbing. That was the point of his dissertation.

John said that had Jim responded directly to him, it would not now be a topic at a budget meeting. Kimberley asked how it was that she happened to see the original email to Jim. John said he copied the whole budget committee on the email. Kimberley said Jim responded to the budget committee. John felt he should have responded to John directly and copied the budget committee.

Martha asked what John was looking for.

John said he thought the budget committee had been told that increasing the bookkeeper's hours would help improved accuracy. Now, he understood she was the human resources administrator and was involved in a wage study. He said he was not saying she was making mistakes; he did not know where the differences originated.

Referring to John's spreadsheet of discrepancies, Jim asked John where the Town Hall error of \$604 was. While researching it, it was discovered John had made an error in his spreadsheet, the point being that even John had made a mistake. Jim also found it interesting that John would point out single dollar differences on a \$3,000,000 budget.

In regards to invoices, Jim said that invoices were not always easy to process. Some include several items which required coding against different accounts. Jim suggested to John that his questions could have been solved much more easily if he had walked down to the bookkeeper's office.

John said the concerns were brought up at a budget committee meeting. He did further investigation. He had

conversations with people in Town. He thought it helpful... Jim said it seemed John jumped to conclusions without talking to the people who could actually answer his questions. John said he was not accusing anybody.

John repeated that he was concerned about the \$1 differences, suspecting there were two different computers.

Kimberley said there was a difference between truncation of cents and rounding of dollars. Truncating, you would lose the pennies. Rounding, the dollar figure would go up or down. The difference could be \$1. John said he understood mistakes happened. Kimberley said that was not a mistake, noting that the formats and formulas make a difference. Same computer, same data. The precision of the data could be one decimal point, two, three and so on. Each generated a different result. Precision made a difference.

Kimberley said there was only one copy of the books in the Town Hall and they were maintained by the bookkeeper. That was the golden data. That's it. No one was keeping a second copy of the books. She noted that others might pull reports from that data and plug it into their own spreadsheets for their use. In turn, how they use that data could generate different results.

Kimberley said she fully appreciated what John said about one page of the Annual Report saying "\$500" whereas another page showed "\$480". Yes, that begged a question. She said the point John was making has been heard. And, with the Annual Report being produced at the moment, maybe his input would make a difference.

Kimberley finished with advice to John about his attacking approach and the words he used to color his conversation. She felt while he may have had identified good information, he was more likely to shut down the conversation before good work could be done as a result of his findings. John said it was a point well taken.

Martha said she was offended by the last paragraph of the response. She felt it was part of Jim's job to answer the questions of the budget committee. She did not feel the committee was wasting his time.

Secretary's Note : *The paragraph Martha referenced above, follows [sic].*

" In conclusion, this hunt for numbers did take some time and in my opinion it was a poor use of my time and the Bookkeeper's time and has delayed other work such as submitting reimbursements for the Roundabout totaling nearly \$500,000 or completing quarterly and year end reports to IRS by the deadline. Some cited differences are negligible in a \$3,000,000 operating budget, other have been identified and explained before, and frankly, the auditors, who are professionals in this area are much better skilled at discovering any serious or "disturbing" discrepancies have not done so and report as such. Since we pay them a lot of money we should feel confident in the results they report to us.

Therefore, before the Selectmen's Office and Finance Office acts to investigate similar such inquiries such requests must have been reviewed and voted by the full Budget Committee, using the combined experience and knowledge of the members to identify the truly significant differences that need further background. "

9. Adjournment

The meeting was adjourned at 9:27 pm.

Respectfully submitted,

Kimberley Brown Edelmann
Recording Secretary