

**APPROVED**

Town of Warner  
Budget Committee



Meeting Minutes

Thursday, May 9, 2019

7:00 PM Warner Town Hall

**I. OPEN MEETING at 7:03 PM and ROLL CALL**

Martha Bodnarik	Michael Cutting (Chairman)	Alfred Hansen	Jonathan Lord
Martha Mical	David Minton	Judy Rogers (Selectmen)	

**Absent:** Ray Martin (Water Precinct)

**II. APPROVAL OF MINUTES**

A. ***Motion to approve the minutes as amended of April 18, 2019 made by Martha M. and seconded by David M. and unanimously approved.***

B. Discussion about Committee minute taking. The Chair asked Judy if the BOS had a conversation about Janice taking our minutes. Judy said we didn't discuss having Janice continue. When she asked the BOS about the salaries to date, they were overspent by \$400 plus to about \$1,200 in the BOS line that had a notation that said minute taking. We didn't discuss if it was going to continue. The Chair said that the committee has been very pleased with the work that Janice has done. He would strongly recommend that we stay with this arrangement.

**III. DISCUSSION WITH HIGHWAY DEPARTMENT (regarding damaged Loader)**

The Chair asked Tim to brief the committee on problems he has experienced with the loader. Tim said that the loader is down, it is at Anderson Equipment. Last fall they lost the power steering on it. When the power steering went pieces of it went through the implement pump which is the hydraulic pump for the main functions on the machine. The hydraulic pump and the power steering pump were fixed. While they were there they did the pump for the fan which cools the machine. The pumps were fixed for just under \$17,000. He was never told the hydrostatic pump was part of this whole pump pack. The machine was put back together and they ran it through the winter.

This spring they couldn't take the loader out of forward speed. They said it was a solenoid on the control valve. Which wasn't the problem. So, they loaded it on the low bed and took it to Anderson's. They thought it had to do with a mechanism to divert the oil. At some point the hydraulic functions failed, the power steering and brake functions failed. Tim explained that the hydrostatic pump's main bearing let go and it released the bits and pieces that came apart in the pump. Unfortunately, the case drained which is a return for the oil to get back to the tank. That goes directly into the suction line that feeds the other pumps we just fixed last fall. These pieces took out the hydraulic pump, power steering and brakes. Currently, it is a \$22,000 repair.

Tim said that he is in the process of talking to them. They are trying to convince him that the problem with the hydrostatic pump wasn't caused by the first issue. They put the machine on a big tank filter, they jack the machine in the air and put it in gear to run everything. They pump fluid through the machine to flush the system. This is what they do when you have a catastrophic breakdown.

Tim went on to say that Anderson is saying that material would not get into the hydrostatic pump. The reason they did not mention this to him is because the previous Fall we had gone through the machine and checked all the pressures and cycles. I wanted to know the shape the loader was in before putting together the CIP for 2019 because he had three pieces to deal with. The situation is, that even if Anderson put the machine together for nothing I am not sure we want to keep it. He does not feel that the contamination will ever be fully removed.

Presently, he is pricing new machines. He has Caterpillar and Komatsu prices and waiting on lease numbers. He will be discussing this issue with Anderson. He believes that Anderson should own a little bit more of the responsibility of this issue. We can fix it, for \$22,000 or leave it there and try to buy or lease another machine. He cannot justify spending tax dollars to fix it. The Chair asked the year of the machine, it was stated to be 2007. David confirmed that last Fall you spent \$17,000 and this year will be \$22,000.

Alfred stated that it is a bit confusing. The first go-around was three different pumps. Tim stated four. Alfred said now those four pumps are contaminated. So, now Anderson is saying they are going to replace fix a total of five pumps for \$22,000. So, the hydrostatic pump is only \$5,000? Tim said there are core charges on the pumps, Komatsu gave them some numbers. Tim is going to Anderson tomorrow to find out what those numbers are. His understanding is if you do the hydrostatic pump you really should do the motors and the transmitter. The pump is \$7,500. Alfred said then all the numbers do not add up. Tim said that total number includes the labor and putting the cab back together. He hasn't seen the breakdown of the numbers, there is a \$6,000 or \$7,000 discount. So, instead of the approx. \$21,000 it is actually \$27,000.

Martha B. asked if all the graders have the same kind of design. It seems to be a flaw in the design that when one pump goes it will take out all the other pumps. Tim said he agreed. He said Caterpillar has filters and screens in all returns to the tank. The new Komatsu's do as well. Tim said there is an upgrade kit that can go on this system if we decide to put it back together. The Chair asked if he has money in his Capital reserve if we have to buy another vehicle. Tim responded, yes. David said we have to look at leasing too. Martha B. asked if a catastrophic failure happens on a leased vehicle through no fault of our own, will they take care of it. Tim said the lease we have on the grader would cover it, under warranty. When we lease the grader, the warranty goes for a full seven years. A lease is five years. Alfred asked what is the number to purchase a new loader. Tim said a machine comparable to what we have now a 926 which is \$166,000. The next size up, is a 930 Caterpillar. It is a heavier machine which lasts better and wears better. This is a multipurpose machine, it moves a lot of snow, and is used for sand. That machine is \$182,000. The Komatsu is \$197,000.

Alfred said when the Komatsu was purchased there were implements which went along with it. If we switch to another machine do the implements become obsolete? Tim said no, it is the same hitch. The Caterpillar can be fit with an adapting plate for the hitch. David asked in terms of leasing is it determined by hours on the machine. Tim said he would like terms for a five-year lease, 5,000 hours. Caterpillar for 5 years for 3,000 hours. We put on about 850 – 900 hours a year on the machine. Martha B. stated if she was going to buy a car she would look into the maintenance and reliability of each brand. Have you done this sort of research? Tim stated that he talked to the service person at Caterpillar and the service person at Anderson. He has talked to people in Henniker that have done mechanical work for us in the past. Martha B. asked that he please look online as well.

Alfred asked if he has his equipment in a depreciation program? Tim said yes and no. In the past he has used his common sense. Johnathan asked what software would help him with that task. He has looked at the iworks system, he thinks it could be a great help. He didn't like the equipment and inventory part of the program. It seemed like a lot of work for what you are going to get out of it. There is a company that has strictly a maintenance program and an inventory program for maintenance. This program is strictly maintenance and shop driven, inventory, parts and materials. He thinks a software would be something to look into.

Alfred asked what the length of the warranty was if you bought a new machine. Tim responded that the warranty is the same, it is charged as a lump sum possibly \$18,000. Alfred asked if that is in addition to the \$166,000 machine or the \$182,000 machine. Tim said the standard warranty is 12 months, the power train and hydraulic is 36 months. Alfred verified that the extended warranties are \$18,000. Tim said he does not have the numbers with him tonight, but, that is possibly the value. Although, the number he got from Caterpillar for \$166,000 was 5 years and 3,000 hours. He wants to negotiate for 5 years and 5,000 hours and he believes it added \$1,500 to that figure. **Tim said when he gets the numbers relative to the difference in repair costs, he will forward it to Alfred.** Alfred said that the difference in repair costs is important but, stressed the importance of determining depreciation and factoring that into your purchasing decisions. The Chair stated his concern that possibly the town has been a bit negligent in keeping equipment a little too long. Tim said in 2017 he had 2 dump trucks and a loader and he had difficulty determining which one to put in the CIP. When he looked into replacing the loader

he was told it was good for up to 2,200 hours of operation. So, I moved the loader out a year and put the dump truck in the CIP. Alfred said that it looks like there has been at least \$40,000 spend in the last two years on the loader. Martha M. verified that figure includes if Tim decides to pursue repairs as estimated for this year. They currently have a smaller loader. Tim said once we start projects it would be nice to have the larger loader. The Chair thanked Tim for his participation in the conversation.

#### **IV. BUDGET COMMITTEE PRESENTATION TO DEPARTMENT HEADS**

The Chair stated in the past we haven't had detailed specifications of what we are going to buy. The BOS office has never put together what we need to see as a committee. As we begin the 2019/2020 process, he wanted to get everyone together to build an understanding of what the BOS office and the Budget Committee is seeking. The process that he developed was strictly for large capital expenditures. He quickly realized that this process could be used for a large portion of the operating budget.

The Chair, Mike Cutting, narrated an on-screen slide presentation to the Department Heads. The presentation focused on identification of the problem. Making recommendations of what you need to solve your problem. Documenting what you are presenting to the committee, so we can fully understand what you are asking for and justification for the proposed solutions. When you come to the budget committee we are going to ask for specific analysis of what you have done.

For instance, Tim, from the Highway Dept. comes to the committee and hypothetically states that he has a problem with snow removal. The Chair suggested the example that there aren't enough trucks or man power or the route is too long, whatever the root cause of the problem is. That is what is needed from every department. The department heads and committee chairs are responsible for their expenditures. Careful planning must be implemented with regard to capital expenditures. The Chair stated that we are asking that you have your decisions made before you come to the committee. We may ask questions about your options, but, you should have a decision ready to present. We ask that you not present possible options but have a definitive plan.

Make your analysis to resolve the department needs in a fiscally responsible manner. He went on to say that we have a tight budget in 2019 and it is not going to be easier in 2020. We need to have a specific timeline, without extensions. Extensions cost money. Varick stated that in 2010 he drew up a replacement schedule to fund Capital Reserve. We funded that at \$13,000 a year for two years. The third year it was cut approximately \$5,000 and after that not at all. The Chair said we both need to do a better job. You need to force the issue and we need to do a better job of funding.

The Chair went on with the presentation. He stressed the importance of documentation. We need you to provide documentation to support your recommendations such as, quotes and specification details. We want you to make up your mind as to purchase or lease before you come before the committee. A justification for a selected vendor may be service support, life expectancy of the piece of equipment, trade-in allowance. Michael Simon, Chair of Pillsbury Free Library Trust, asked if before we get to the BOS, the CIP goes to the Planning Board? The Chair responded that the CIP is a snapshot of where we expect to be in the next seven years. The Police Chief stated that the forms with a seven-year snapshot is good because it gives you a schedule of what is going to be replaced. The Chair stated that if a Department Head believes his department isn't being funded appropriately, there isn't a problem with you standing up at Town Meeting and communicating why you think you need the funds. Martha M. said that the committee has not talked with the Planning Board, the CIP forms will probably not change. Chief Chandler said the forms are useful in many ways, for the Planning Board, the Budget Committee, scheduling and accountability and for determining warrant article amounts. The Chair said the committee is not asking for the CIP documents.

The Fire Chief, Ed Raymond, commented that it takes over a year to build a fire truck. He explained how the cost of truck can vary depending on when it is ordered and when it is completed. Also, there is no guarantee that we will get a truck because the CIP can get chopped right off. The Chair said we have to do a better job. Right now, we have to talk to a salesman about a truck that the town approved, how do I give you specs about that truck. The Chair stated that the specs for that truck should have come to us last year, in September or October. Martha M. said we did ask for it last year, that is something we are trying to resolve. The Chair said

the Chief did not have to provide it for the one that is currently being built, you would do it for the next vehicle. The Chief responded that next is the Rescue vehicle, which is scheduled for next year.

David said what would help him would be to see alternative comparable solutions. Martha M. said we would like to see why you picked one piece of equipment over another. Ed R. asked why do you would need to see that. The Chair said it is part of being responsible to the town residents. He is not looking for full documentation, but, justification as to why one make and model was chosen over another.

Also, when the Department Heads put their packages together, please provide at least eight packages to distribute to committee members.

Alfred stated that if we do not have this information then we don't know how much to responsibly fund your capital reserve. The Chair said when we are getting ready to purchase items that is when we will need this information. Tim asked if long term items are just as important as items to buy now? The Chair said yes, but, by the time you get closer to purchasing an item prices, dealers, models, makes may change. Martha B. said when the time comes to justify to your neighbor why something was funded. She wants to be able to say, they came to us and presented good options as to why it would be a good for the town. It needs to suit the towns' needs, not just the desires. Chief Chandler said if we need a new cruiser you want me to research the different cruisers and present it, so you can have comparisons. The Chair said no. He explained that we want you to come in and state that you want a specific cruiser. Then show us a comparison of the other makes and models and why you chose a specific selection.

Tim stated that the Highway Dept. has to hold a public hearing for anything that they buy. He could bring that information before the committee, because it is similar. Some committee members affirmed that would be acceptable.

The Chair concluded the presentation.

## V. DISCUSSION

Varick stated that most of your examples are about equipment, however he asked if the committee envisions a different dynamic at work in terms of roads and facilities. The Chair said that they are currently only looking at asset purchases not project management. Martha B. stated that asset purchases could include a new heater or cooling system for the Library. The Chair said this strategy would also apply to computers for different departments.

Martha B. said there are people who have lived in town for along time, who feel that they are being taxed out of town. She went on to say we need to do our best to keep the costs down. Varick expressed frustration with people wanting town services and not wanting to pay for taxes. He thinks the town has been responsible. Chief Raymond expressed frustration with complaints about the cost of the fire station and equipment. He is in favor of putting aside some money for future expenses. Although, costs are so tight that once the money is set aside and then spent on a vehicle, it zero's out the fund. Leaving no buffer. Alfred said everyone knows we can't keep up with everything. He feels that the town has been responsible, and the town is being maintained. We are not desperate, we do maintain the town with what we have. Chief Raymond stated that Warner does have good services compared to other surrounding towns. David stated that people may not be considering that money that the state contributes to the towns have diminished considerably. His wife is on the School Board and 75% of their costs are fixed. Martha B. said that demographically we are one of the oldest towns in the state. The majority of our population is on fixed retirement incomes. When you do not see any COLA or pay increase in Social Security or pensions it is hard to manage tax increases of potentially 5% a year. John Leavitt said that the Fed's and the State taking money away from the town effects all of NH. The problem is the people who complain about the taxes in town also don't want to increase the tax base. The tax base in other towns is bigger than here. It is hard to build anything in this town, so invariably the taxes will go up.

The Chair directed the conversation towards the Operating Budget. In the next few weeks you are all going to receive your expenditures from the Bookkeeper. Please carefully review it for accuracy. Making sure items are

charged to a department in the category that they belong. Martha M. brought up a tax assessing report that was printed this week which showed excess mileage charged to the tax assessor in error. The Chair said in light of the transition of some town positions being vacated and filled, we need to take the time to review all material carefully.

Alfred asked if the town is going to be audited during the transition time. Judy responded, yes. She stated that Clyde sat down with the owner of the auditing firm we have used in the past. They are submitting a proposal to audit us through the end of March. Martha stated that it will not be the same individuals who have been coming to the town every year. Alfred asked if the BOS had talked about having someone different conduct the audit. Judy stated that they talked about it. The Chair stated that the Department of Revenue does a cursory audit to determine tax rate, but, primarily it is done by the audit company that we have used in the past.

Jonathan stated that Chief Raymond had said that his budget has decreased over the years. Is that the same with the other departments? The overall response from the Department Heads in the audience was, no. Although, Varick stated based on inflation, it has gone down. Also, they have increased services and are open an extra day. Jonathan asked if the town has too many big-ticket items? Also, since we are holding these people accountable shouldn't we be holding the BOS accountable as well. The Chair said that he sometimes wonders if we are taking on too many projects. Judy said that she will hold the rest of the BOS accountable. She said they are going to focus on a few projects and new ones aren't going to come in right now. The goal is to try to stay within the budget and address things as they come up. We need to work on process and procedures. Having the departments present directly to the BOS.

**Motion to adjourn was made and seconded the meeting was adjourned at 8:40 PM.**

**Highlights of the Budget Committee presentation to Department Heads regarding asset purchases:**

- Include in your decision vendor service and support, life expectancy of equipment, trade-in allowance.
- Seek alternative comparable solutions.
- ***Make your Purchasing Decision.***
- Prepare presentation to Committee.
- What are you purchasing?
- Justification
- Comparison Chart (different makes, models, warranty, lease or buy options)
- Include documentation to support decision (i.e., quotes and specification details).
- Why one make and model was chosen over another.
- Bring eight packages to distribute to committee members.
- This will help us responsibly fund your capital reserve.
- Please review expenditures from Bookkeeper for accuracy, during transition time.

Transcribed and Submitted by: Janice L. Loz

**\*Note: Highlighted items signify follow-up.**