

SELECTMEN'S WORKSHOP
Minutes of 7/28/08
4:00 p.m.

Selectmen:

Peter F. Brothers, Chairman
Miller C. Lovett, Vice Chairman
Robert C. Flanders
Charles G. Palm
Colette Worsman

Town Manager:
Recording Clerk:

Carol M. Granfield
Karin Nelson

Call to Order: Chairman Peter Brothers called the meeting to order at 4:00 p.m. He introduced the Board and the Town Manager.

W 08-26 Goals

The current goals, along with department head comments pertaining to their implementation, were discussed at a Workshop on June 16, 2008. Each of the Selectmen expressed their reaction to how goals have been addressed and made suggestions for upcoming goals.

The Town Manager reviewed a proposed draft of goals with the Board of Selectmen asking the Board to review, comment and make modifications. She noted that, per the Board's request, several items have been removed, combined or separated, to better reflect the Board's objectives.

Chairman Peter Brothers expressed appreciation that item 1. "Protect Water Quality of the Town's Water Supply and Evaluate Water System" and item 2. "Protect Water Quality of Meredith Bay" had been separated, becoming two separate items with a central focus. The Chair commented that item 4. "Develop an Information Technology (IT) Plan Program", centralizing forms and information, will lead to better communication and efficiency. He noted that item 5. "Improve the Capital Improvement and Development Review Process" is a continuing process, acknowledging that Selectmen Flanders and Worsman have contributed many hours representing the Board on development review committees. He added that as the economy ebbs and wanes, it provides an opportunity to review regulations and statutes, developing smart growth options and alternatives. Regarding item 6, "Development of Workforce Housing", Chair Brothers mentioned that the Board has identified several opportunities including having the piece of property on the corner of Neal Shore surveyed in preparation of possible later development. Regarding item 7, "Maintain a Viable and Sustainable Community," the Chairman remarked that there are a lot of non-profit groups that are very interested in promoting businesses that will attract and retain capable young workers and their families to the area.

Selectman Lovett encouraged the Board to make the goals the driving force behind everything that the Town does. He continued, saying that the Board should link the goals to the performance appraisals of department heads and their subordinates. He explained that employees should be able to explain how their performance ties in with the goals and objectives set by the Board. He added that pay increases should be linked to the goals. Selectman Lovett explained that sharing the goals with all employees will help them to better appreciate the direction that the Board is heading and how their performance can contribute to achieving them.

Chair Brothers remarked that department heads conduct periodic meetings at which goals and objectives are shared and staff are given directives and/or incentives by department heads to implement them.

Selectman Flanders said that overall he is satisfied with the outline of the goals. He added that with more outsourcing, the need for equipment replacement and the costs of labor and benefits would likely decrease. He stated that in the 2009 budget, the CIP plan included approximately \$500,000 for equipment in the highway department. That substantial amount would not be necessary if Public Works were a maintenance department rather than a construction department.

Chair Brothers commented that as employees retire, departments will need to re-evaluate their positions to determine whether it can be eliminated and absorbed by other employees or if a replacement should be hired. The Town Manager added that the current outsourced items have been listed in the outline. However, she noted that other items such as financial and computer services will be evaluated to determine whether outsourcing would be a feasible alternative.

The Board agreed that a bullet for the Master Plan re-evaluation should be added under item 7. Selectman Palm asked for clarification on "Provide Additional Youth Activities" under item 7. Selectman Worsman replied that this item is important to her. She explained that because this community is a vacation destination, young people are in "vacation mode" throughout the entire year. They need an atmosphere which promotes jobs and possible career training outside of the hospitality industry. Vocational training would help young people to develop skills which would serve the community in the future. Discussion ensued regarding existing youth programs and the development of new vocational programs and opportunities, including internships and EMS training programs. The Board agreed that the Town should partner with existing community organizations to facilitate the development of balanced programs and activities for local youth.

Selectman Worsman stated that the "cost benefit" of all goals should be added to the list. She also suggested adding "identify and include overhead" to the outsourcing bullet under item 3. In addition, Selectman Worsman suggested the Board look at every possible revenue source; for example, adding parking meters on the Town docks. The Board discussed and agreed to add "Develop Watershed Protection Plan" under goals 1 and 2.

Selectman Lovett would like employees to have the ability to give their feedback on Town projects. Chair Brothers expressed the need to create an environment where employees feel comfortable giving their input.

The Board came to a consensus that the list of goals was adequate, but not “all inclusive”, and could be expanded if necessary.

08-34 Budget Philosophy

The purpose of the Budget Philosophy agenda item is to have the Selectmen provide guidance pertaining to the development of the Fiscal Year 2009 Budget. The Town Manager’s philosophy is to level fund last year’s budget and not recommend new projects, positions, or new equipment, unless there is a cost-effective reason to do so. The goal is to keep taxes down and maintain effective operations to meet the service levels expected in Meredith.

The Town Manager explained that she would like to begin with a maintenance budget, focusing on cross-training existing employees and evaluating whether it is necessary to fill vacated positions. She asked the Director of Administrative Services, Brenda Vittner, to develop a list of costs deemed “non-controllable”, which included fuel/diesel costs, propane, electricity, heating oil, water and sewer, payroll, retirement, and benefits. Selectman Flanders stated that using the term “uncontrollable or non-controllable” is not accurate because, although the price per unit may not be under the Town’s control, the number of units used can be controlled through conservation. Director Vittner explained that the word is used to describe costs charged by outside vendors that are not controlled by the Town. The Town Manager reviewed a list of questions that would help to guide the department heads in their budget preparation. Those questions include:

1. Other than the uncontrollable (unpredictable) costs, do you desire a level funded budget?
2. Incorporate the most cost-effective and quality approach to operations to be in-house or outsourcing of various services?
3. Are there services that you desire to have reduced or eliminated in order to reduce costs?
4. Do you want to include a COLA (Cost of Living Adjustment) and if so, how much?
5. Do you support any new programs or services with an added cost?

The Town Manager explained that she had just received the winter salt prices, which are not included in the list of unpredictable costs provided to the Board.

Chairman Brothers began by asking the Board for a consensus on items that they agree upon. Examples that he cited were that the Board had agreed during the 2008 budget process to add a COLA into the 2009 budget. He asked if the Board could agree on the amount of the COLA. Another example he cited was controlling expenses as a base philosophy and reviewing methods of reducing the “uncontrollable” costs through conservation. Other areas

that Chair Brothers felt that the Board could reach consensus on were postponing new projects and programs, and seeking new revenue sources on an ongoing basis.

Selectman Lovett expressed the desire to pay employees fairly and that pay should be directly tied to performance. The Town pay scale should reflect the current market rate with good employees being paid above the market rate. He stated that now is the time to review the entire pay scale. A merit-based pay scale would not include a COLA, which gives an across the board increase. He questioned why the Town would need a COLA if the current pay increase steps reflect market value. The Town Manager answered that the COLA increases the entire pay scale.

Selectman Flanders commented that the school district has 42 to 43 steps. Therefore, employees can receive a pay increase annually. The Town of Meredith has only 12 steps and therefore, without a COLA, an employee of 35 years can only receive a pay increase through step increases every few years. He stated that he is a strong proponent of merit-based increases however, unless there is a step available for each year, a COLA is necessary.

Selectman Lovett remarked that he still not satisfied that the current appraisal system with step increases. He felt that it is not merit-based and that greater clarification is necessary. The current system must be evaluated to determine whether it is adequate.

Selectman Flanders stated that if there is no step increase to help compensate for the cost of living increase, the Board must develop a system. He stated that without a COLA, no matter how well an employee performs, he will not receive a pay increase. This does not give employees an incentive to excel in their performance.

The Town Manager explained that the pay scale increase was reduced approximately five years ago from 5 percent to 2.5 percent. Her concern is for long term employees who have gone beyond the twelve steps available. She added that, until a merit-based system can be put into place, it is necessary to maintain a COLA.

Selectman Flanders stated that due to time constraints it is impossible to completely overhaul the existing system. Although he supports a merit-based system, there is not enough time to implement it, making a COLA necessary for this year.

Selectman Worsman disagreed, saying that the Town is potentially facing the approval of Senate Bill 2 which affords the public the opportunity to discuss and amend budget articles and vote in an election to either approve or disapprove the budget. The decisions made by the Board over the next six months will either fall short or show the taxpayers that the Board can put together a responsible budget. If an employee receives both the step increase and the COLA, it equals a 5 percent pay increase. The Board has asked for a merit-based system for the past 3 years. She stated that last year a comprehensive study was performed to evaluate the level of compensation for all positions. It found that many positions were paid above the state average. She added that the Town of Meredith employees are better than average and

should be compensated accordingly. However, Town costs are currently rising and a 5 percent increase does not make sense.

Selectman Worsman continued that until a merit-system can be put in place, there should be no step increase. Employees can receive a COLA if it is determined that their performance is above average, based on the prior year's performance evaluation. Last year, there were complaints because more than 50 percent of employees had reached or were close to reaching the top level of pay. A large number of those positions were adjusted down from a level 12 to a level 3 or 4, making them eligible for future pay increases. Their pay was not decreased, only their step level. Selectman Worsman stated that she could not support a 5 percent increase.

Selectman Flanders asked the Town Manager if it would be a violation of the Personnel Policy should the Board decide to suspend the step increases for a year. The Town Manager answered that she would have to research it.

Selectman Flanders agreed that there should be no increase this year however; it would depend on whether it was a violation of Personnel Policy to suspend it.

The Town Manager acknowledged that the Town has come a long way from having no evaluation system to moving toward a merit-based compensation system. Although progress has been made, there is still much work to be done.

Chairman Brothers added that until merit-based performance increases become the predominant means of compensation in the municipal sector, it will be difficult to retain quality employees without step and COLA increases. He is concerned that the Town will lose good employees and is wary of changing to a system that has yet to be universally adopted.

Selectman Worsman stated that unless the Board takes steps toward a change now, it will not occur. Should SB2 be adopted, the taxpayers will have the opportunity to vote down a COLA increase should the Board decide to grant it.

Chair Brothers cautioned the Board about making decisions based on the threat of SB2 or votes at the Town Meeting.

Selectman Worsman answered that the taxpayers have been attempting to send the Board a message and the Board has not listened. Taxpayers have now taken an additional step so that the Board will have to listen.

Chair Brothers explained that he is attempting to move the Board toward more neutral ground.

Selectman Lovett acknowledged that, although the system does need to be changed, it cannot be drastically changed at this time. He would like employees to know that they are valued

and thinks that they should be paid on the high side of the state average. Another alternative is to leave the payroll system in place and cut the budget in other areas.

Selectman Flanders commented that the Board is fortunate to have dedicated, productive Town employees and concurred that it is important to show employees that they are valued.

Selectman Palm stated that the COLA is important due to the limitation of step increases available to employees. He feels that increases should be based on performance and that if an employee is not performing up to standard, the position should be eliminated rather than filled by a new hire. He suggested that the Board could consider using a range to establish the amount of increase for employees.

Selectman Flanders concurred that good employees should be compensated well, and that it might be possible to eliminate some positions without negatively affecting the level of service. He agreed that an increase range might be appropriate.

The Town Manager answered that a range has been established to determine what percent of increase an employee should receive.

She asked for direction from the Board regarding the elimination of positions, stating that there is a process that must be followed.

Selectman Lovett stated that "Re-evaluation of Personnel" should be added to the list of goals.

Chairman Brothers summarized that the step increase should be merit-based. However, a COLA should be included and he asked that Ms. Vittner do some research to establish what the average COLA percentage is. The Town Manager informed the Board that the overall budget is going to increase by 2.8 percent without a COLA. She added that, should the Board approve a COLA, the overall budget would increase to 3.8 percent. She then asked for a consensus from the Board regarding the overall budget increase percentage.

Selectman Flanders suggested an increase similar to the COLA and suggested starting at a 3 percent overall budget increase. Selectman Palm said that he would like it to be 2 percent. Selectman Worsman recommended level funding the budget approved by the Board last year.

The Town Manager asked for clarification from the Board as to whether they want a COLA. In order to reach a budget with an overall 3 percent increase or less, it will likely mean equipment and personnel reductions.

Chair Brothers expressed concern that level funding last year's budget without the COLA would create a reduction in the level of service to the community. He added that he could support a 2 percent increase over last year's level fund budget including the COLA. Selectman Worsman stated that she would prefer to cut expenses.

Discussion ensued regarding the upcoming CIP process. Selectman Flanders suggested that the Board's budget philosophy be clearly communicated to the CIP Committee. Selectman Lovett mentioned that the Board should schedule a conversation with CIP prior to their first meeting. He pointed out that the \$1.8 million CIP budget does not have an annual percentage increase. Therefore, that part of the budget can be exempt. He went on to say that if job vacancies occur through resignation or retirement, the Town should try to absorb the positions if a good level of service can be maintained. Selectman Lovett distributed a written proposal for reducing the 2009 budget. Ideas proposed were:

1. Asking department heads to submit zero increased budgets, which reallocate funds within last year's budget and provides a format which compares their 2009 recommendations with each 2008 line item.
2. For each line item reduced, the department head provide a note as to how this will reduce service to citizens.
3. Department heads specify which line items they would like to increase and what additional services those increases would provide.

Selectman Lovett expressed support for a 3 percent increase over last year's approved budget with COLA in addition to budget cuts to balance the 2009 budget.

Selectman Flanders added a 4th item to the list submitted by Selectman Lovett. He asked that each department head submit a budget that is 2 percent below a zero increased budget. He said that he would like to see what items department heads would cut to reach that goal, should it become necessary.

Selectman Lovett clarified that the terms "zero increased budget" and "level fund budget" do not mean "no increase". He stated that the Board is using those terms with the understanding that, due to higher utility and fuel costs, the budget will increase.

Chairman Brothers asked for consensus on a 2 percent increase over the 2008 approved budget with COLA. Selectman Worsman asked how the Board could arrive at a 98 percent or level fund budget if it started at 2 percent above last year's budget with COLA.

Chairman Brothers answered that it would be the same to have department heads start at 2 percent and work their way down. He expressed a concern that the level and quality of service to the community would suffer deeply with a level fund budget. He added that road work or operation expenses could be postponed, but at some point the work must be done. In a budgetary sense, that would put the Town in a position of trying to catch up, rather than maintaining a steady level of expenditures.

Selectman Worsman disagreed, stating that if you start high, it is much more difficult to make budget reductions.

Selectman Flanders noted that it would be very difficult for some departments to make a 2 percent cut, while others could possibly make a 5 percent cut, which would even the budget out across the board.

Selectman Lovett reiterated his desire to have department heads develop a zero increased budget. He explained that it is important to gain an understanding from the department head's point of view of where they would cut should they be forced to. The Board could then make informed decisions regarding necessary cuts.

The Town Manager stated that she felt that she had received enough feedback from the Board to be able to move forward with department heads. She stated that personnel would be closely scrutinized and that no positions would be filled until the budget review process was complete.

The Board reached consensus that their philosophy was a budget not more than 2 percent over the 2008 approved budget with COLA.

Community member Dave Sticht asked the Board for a definition of a level funded and a maintenance budget. He added that Selectmen should start with a zero increased budget then add items if needed, rather than starting high and being forced to cut budget items.

Chairman Brothers answered that a level funded budget concerns dollar amounts only and a maintenance budget looks at revenue sources in comparison to the level of service provided and allows CIP projects to continue. Selectman Flanders added that a maintenance budget concerns the costs of running Town departments exclusive of one-time expenditures.

Chairman Brothers noted that there is not enough pending business to warrant a Selectmen's meeting on August 18 however, there are two pending items that warrant a workshop.

The Board tentatively agreed to hold a workshop on August 18 at 4:00 p.m.

Selectman Flanders noted that the Board should hold a non-public meeting after the workshop to finalize the Town Manager's performance evaluation. The Town Manager advised the Board that she would follow up with a confirmed meeting date.

A motion was made by Selectman Flanders to adjourn at 6:16 p.m. Seconded by Selectman Worsman. 5-0. All in favor. Motion passed unanimously.

Respectfully submitted,

Carol M. Granfield, Town Manager

Peter F. Brothers, Chairman

Karin Nelson, Recording Clerk

Miller C. Lovett, Vice Chairman

Robert C. Flanders

Charles G. Palm

Colette Worsman

DRAFT