

**SELECTMEN'S WORKSHOP**  
**Minutes of 09-21-09**  
**4:15 p.m.**

*Selectmen:*

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

*Town Manager:*

*Phillip L. Warren*

*Recording Clerk:*

*Karin Landry*

Call to Order: Chairman Peter Brothers called the meeting to order at 4:15 p.m. He introduced the Board and Town Manager.

**09-42 Revenue Budget Update**

Town Manager Phillip Warren briefly introduced the matter and turned the presentation over to Director of Administrative Services Brenda Vittner. The Board was provided with a Staff Report and expenditure update. Page 2 of the expenditure update was corrected to reflect a hold on Public Works expenditures as of 07-20-09 in the amount of \$200,000. The Board previously released \$100,000 in expenditures for the Department; approximately \$42,000 has been expended at this time. The MS-1 will be completed as of October 1. Assessor Jim Commerford previously informed the Board that there will be a decrease in assessed valuation. At the Board's direction, the amount to be raised by taxation for 2010 will not exceed the amount that was raised in 2009, \$7,716,458. The Department of Revenue Administration certified total appropriations of approximately \$13,069,000. Revenues were estimated at \$5,266,310. As of September 15, revenue projections for 2009 are \$5,077,675. The difference between last October's estimate and revenues collected at this time is \$189,000. Ms. Vittner does not forecast \$189,000 in additional revenues being collected by year end. Motor vehicle registrations and recycling account for a majority of the decrease in revenues. The expenditures on hold include municipal administration, wages, equipment, and roads. Ms. Vittner does not recommend the release of additional expenditures. Unexpended appropriations in the approximate amount of \$376,000 will be returned to the Fund Balance. In order to keep the amount to be raised by taxes stable, \$525,000 will be utilized from Fund Balance as opposed to the estimated amount of \$325,000. The shortfall projection at this time is approximately \$188,000.

The Board posed questions regarding revenues. Ms. Vittner does not think a hold needs to be put on additional items to meet the goals that were set for the budget cycle. A hard look at revenues will need to be taken in 2010. Dialogue ensued regarding various factors affecting future revenues, including motor vehicle promotions and possible reductions in shared revenues from the state. Dialogue ensued regarding the effect of school, county, and state taxes on the total tax rate.

Selectman Worsman asked what an attempt to offset increases at those levels would look like. Ms. Vittner explained that those taxes cannot be projected, and reiterated that it is the Board's promise is to keep the amount raised by taxation at the local level stable.

Although Selectman Lovett has favored a reduction in the operating budget, and one will be realized because of the recession, he does not favor a compromise in things such as roadwork. He recognizes, however, that in a time of recession every budget item must be on the table. If revenues collected through the remainder of the year are as projected, road projects will have to be addressed at an accelerated level in future years in order to maintain the roads. He expressed concern that the \$1.8 million capital outlay has been compromised. Ms. Vittner told him that debt in the amount of \$1.4 million has been covered, and \$365,000 was put into a trust fund, for a total close to \$1.8 million. Selectman Lovett reiterated that he does not support the use of Fund Balance. He would like to reduce the amount of Fund Balance used to \$0, and would like to know the implications of doing so. The Fund Balance should be allowed to build up and used for capital investments. Selectman Lovett is concerned that the increased use of Fund Balance is a trend, and that the transfer of funds can be viewed as "smoke and mirrors".

Selectman Palm explained how the amount to be used from Fund Balance was calculated. An additional \$125,000 will be utilized above what was projected for 2009. The goal to maintain Fund Balance at a certain level of gross operating expenses has been maintained. He reiterated that what is done at the school, county, and state level has more impact on the tax rate than what is done by the Town, and that the Town has no control over what is done at those levels.

The Chair is concerned that using \$0 from Fund Balance in the current economy would necessitate decreased spending in the approximate amount of \$600,000. He believes that the goal of decreasing the use of Fund Balance is admirable, but the length of time must be sufficient in order to avoid significant shocks to the level/standard of services the Town wishes to maintain. He added that unanticipated expenses at the Annex have exacerbated the problem.

Selectman Flanders believes that contrary to the suggestion that the transferring of funds looks like "smoke and mirrors", the process has been as transparent as possible. It has never been a goal of the Board to use Fund Balance to offset increases at other levels. The Town has control of approximately 30% of the total tax rate. The Town does not have any control over what the individuals at the school, county, and state level do.

Dialogue ensued regarding how a surplus at the school level could play into the entire picture.

In summary, the Chair believes that business has been conducted openly and fairly, with continual reassessing and updating on a regular basis in the Workshop format. It is important that the Board continues to have a voice at meetings at the county level. If the school has surplus funds that are retired to reduce the tax rate, that will be beneficial. The Town is not in a position to advocate making up increases at other levels for the sake of stabilizing the tax bill, but thinks the public has heard loud and clear that a concerted effort has been made to do so at the Town level. The Board must now focus on the 2010 budget philosophy.

The Town Manager added that during his short tenure, it has been made very clear that this process worked. The economy is controlling most of the actions that are being taken, and he does not see any other course of action as a Town Manager that could be taken by the Board. All expenditures that have been put on hold are worthy projects that cannot proceed at this time without putting the Town in a position of debt.

There was a general consensus that all expenditures remaining on hold will continue to be held.

The tax rate will be set in mid-October.

### **09-43 2010 General Budget Goals and Philosophy**

There is a widespread consensus that the process and philosophy that was used in 2009 will likely need to be continued, and perhaps tightened for 2010. Efficiencies have been identified in every department, and an attempt has been made to maintain capital programs without expansion or reduction. In view of uncertainties surrounding the state budget, Selectman Lovett asked if the Board should aim for a level funded budget, or below a level funded budget. The Chair pointed out that the goal of the workshop is to provide the Town Manager with direction in terms of his preparation of the budget, and foresees the 2010 budget as being minimally level funded. The Board does not wish to raise the amount raised by taxation any more than what was raised in 2009. It will be critical to monitor revenues as the budget process continues, as well as make assessments and changes based on how those revenues stream in during 2010. He predicts that the Board will be making significant ongoing adjustments based on realities.

The Town Manager pointed out that the goal of the Workshop is to give him a broad framework that will allow him to come back with something that is codified and finite. He does not expect to identify a detailed budget philosophy at the meeting.

Selectman Flanders complemented the work done by the Co-Interim Town Managers to get the Town to this point. He anticipates that revenues for next year will continue to decrease. If the Board wishes to come up with a budget that will keep the Town portion of the tax rate stable, more ways will need to be identified to provide adequate, or close to the same level of services, while expending less funds. He would like a tighter budget for 2010 to avoid shocks to the tax rate.

Selectman Lovett pointed out that although expenditures above what is appropriated at Town Meeting cannot be made, holds can be put on expenditures to balance the budget if the economy continues to decline. If the economy should begin to recover, the Board can move forward with the level funded budget approved at Town Meeting. He prefers to leave flexibility on expenditures with the Select board. He is concerned with maintaining the roads, and would like to have the flexibility to catch up if necessary.

Selectman Palm also supports level funded expenditures. If revenues are lower than what is projected, expenses can be put on hold. If lower numbers are appropriated on the expenditure side and revenues stay flat or increase slightly, the Board will not have the opportunity to take care of important items such as road work and capital projects. He believes the 2009 budget was

successful in many respects. As a result of the work of the Water Committee, future capital expenditures for water plant improvements will be avoided, working in the Town's favor.

Selectman Worsman pointed out that there are additional items that need to be included in next year's budget, including increased liability for retirement, and a potential reduction in the rooms & meals tax. The Winnepesaukee River Basin project is on the horizon, which will factor into capital improvements. If the goal is to keep the tax rate level, there are services the Town will have to do without. The Town employees have worked very hard to find efficiencies, but more will have to be negotiated. She pointed out that there was a savings in 2009 due to the fact that there was not a Town Manager and Administrative Assistant on Board for three quarters of the year, and the 2010 budget will have to absorb those additional costs.

Selectman Flanders thinks it is incumbent upon the Board to implement creative ways to allow for lower expenditures next year. If revenues increase, the Town will be in a position to include some of the things that were taken out in the following year's budget. If department heads and administration can identify ways to further reduce costs, he fully supports doing so. Selectman Lovett does not disagree. If revenues go up, they will go into Fund Balance and utilized as determined.

There was a consensus among the Board that there will not be as much flexibility in the 2010 budget as there was in the 2009 budget.

Resident Jim Hughes complimented the Board on the excellent work they have done over the past year in managing and projecting the budget. The taxpayers appreciate the time that they have taken. He reminded the Board that there are items on the warrant in addition to the budget that affect taxes such as petitioned warrant articles and capital projects.

The Chair asked the Board to review the list of goals in preparation for an upcoming Workshop. Ms. Vittner will provide a list of the updated goals.

The Chair announced that an Open House is scheduled from 5:30 – 7:30 p.m. in Room C of the Community Center so residents have an opportunity to meet and greet the new Town Manager.

*Selectman Palm motioned to adjourn the meeting at 5:25 p.m. Seconded by Selectman Lovett. 5-0. All in favor. Motion passed unanimously.*

Respectfully submitted,

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Phillip L. Warren, Town Manager

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Peter F. Brothers, Chairman

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Karin Landry, Recording Clerk

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Miller C. Lovett, Vice Chairman

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Robert C. Flanders

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Charles G. Palm

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Colette Worsman