BUDGET COMMITTEE
TOWN OF PEMBROKE, NH
JANUARY 13, 2022 at 6:30 PM

Mark LePage, Chairman, called the meeting to order at 6:30 pm.

I. Attendance:

Budget Committee Present:
Clint Hanson, Dave Doherty, Andy Camidge, Joe DeVuono, Sue Whitbeck, Mike Connor, Karen Yeaton, Mark LePage, Gerry Fleury, Paul Hanson

Excused Brian Seaworth

Staff: Jillian McNeil Recording Secretary, David Jodoin Town Administrator

II. Approval of Minutes: January 6, 2022:

Gerry Fleury moved to approve the minutes as amended of January 6, 2022. David Doherty seconded the motion. Motion passed 10-0.

III. Discussion on Potential Timing of Statistical Update on Assessments:

David Jodoin explained that Town Assessor, Monica Hurley, met with the Board of Selectman and will meet with them again in April to discuss a potential statistical update due to homes being sold much higher than what the Town has them assessed for. Preliminary assessment shows the Town ratio at 77% and there are concerns with more recent sales that it could fall further to around 70%. Years ago, there were talks with the New Hampshire Department of Revenue Administration (NHDRA) during a revaluation year because the Selectboard at the time refused to do an update. The Director of NHDRA at the time said either the Town does it or they will get a court ordered sanction against the Town. Every year, the Town submits a form to NHDRA that lists the homes that sold, the sale price, and what the Town had the property assessed at and that data is used to figure out the ratio. They do take bankruptcies, bank repossessions, and related party type transactions into account when formulating the assessed value. Since the Town does semi-annual billing, if this update is done the increase will hit the second half bill. The first half bill in June will go out at the old rate with the old assessments at half of what was paid last year. For example, if total taxes paid last year were $8,000, the first tax bill will go out at $4,000 but the second half bill will make up the difference with the new valuation and the new tax rate. It could be much larger than anticipated.

Gerry Fleury shared the latest version of the summary of tax rate impact shows an estimated increase of 11.6% or $26.78 per $1,000. After doing the math on his own taxes, it looks as there will likely be an increase of 23% to that second half bill. If there is a chance that this is what is going to happen, the Town needs to get to the word out so residents can plan ahead.

IV. Status and Potential Use of Additional State Revenue:

David Jodoin added in revenue for state meals and rooms tax that totaled $519,000 for last year into the budget. Right now, House Bill 1204 is working its way through the State Legislature to reallocate distribution of the meals and room tax which may give the towns more but it has not passed.

The Selectman have submitted two warrant articles for Town Meeting; one article to see if the voters wish to retain the town clock and another one to fix it. The Town owns the clock mechanism but not the housing. During the CIP process, there was a quote to do the work over 5 years. After seeing how costs with other projects are increasing, David went back to the vendor for an updated quote. They said it would cost an additional $20,000 spread over the 5 years. David asked what it would cost to do the work all at once. The quote went from over $100,000 to $74,000. There are funds available in the fund balance so it would not impact taxes. After that, the Town can start saving in Capital Reserve for the next time work needs to be done.

Mike Connor stated that on line 3552 on the MS-737 form lists rooms and meals revenue as $519,000 for this year and next. There is a reported $380,000 additional meals and rooms tax money coming to Pembroke. Mike asked if that included in those numbers. David answered no, that is part of the new house bill that has not been finalized.

V. Continuation of the School District 2022 Budget

Patty Sherman, Superintendent SAU 53, explained the current replacement cycle for technology is 4 years. The unanticipated grant funds that came in this year allowed the School to purchase a lot of Chromebooks at once. They will now need to go back and look at the costs of replacement and the amount in circulation to see if that needs adjustment. Further, after last week's discussion, they decided to look at the warrant articles to remove language where funding had been outlined for specific purposes.

Gerry Fleury stated that Amber Wheeler had made a statement in the previous meeting that warrant article 11 would need to be acted upon every year. It was not made clear that it is not the voters that would act upon it every year. The School Board would need to re-vote on the specific amount of retainer every year but once the fund is established, the warrant itself would not need to re-voted on at the Annual District Meeting unless it is rescinded. Patty stated that is correct. The Board would take a vote every fall before tax rate setting for the specific amount of retainage but it would not ever be on the warrant again unless rescinded. Gerry asked what the driving factor for article 11 is and shared concerns for the lack of oversight by the general public or anyone else. If they did have a major problem that causes them to overspend, the mechanism is already in place for that situation. NHDRA, the School

Board, and the Budget Committee are all notified and the following year a deficit appropriation is on the warrant. The only time in recent history that avenue has been used was due to unexpected Special Education costs that crippled the budget but that was rectified with a Special Education Capital Reserve. Patty stated the legislation had changed so they brought the information to the School Board who chose to put it on the warrant. It was brought forward for discussion purposes. When the original legislation with 2.5% was enacted, the decision was not to bring it to School District Meeting. Clint Hanson clarified the Department of Education would still need to approve expenditures. Gerry also stated that it is unclear why the Budget Committee is not being asked to recommend or not recommend article 11. Even though there is not a stated dollar value, it is based on a calculation that can be determined and will have budget implications. It in essence is not much different from putting money into a capital reserve for a future expenditure. The Budget Committee should opine on it. Mark LePage stated that after looking at the RSA, it references an appropriation rather than an exact dollar amount. There is a calculation and a formula so the exact dollar amount can be derived. Mike Connor agrees that the Budget Committee should be able to opine on warrant article 11 because there will be a strong budget impact and there is an established calculation.

There was further discussion on article 11 regarding the basis for calculation. Mike is concerned with the amount of 5% of the net assessment totals. In RSA 198:4-b, it states the School District can retain any unused portion of the year-end assigned general funds which is essentially saying it can use surplus funds at the end of the year. 5% of the net assessment still has not been clearly defined. Under RSA 198:5, the net assessment is the annual assessment assigned by the Selectmen to meet the obligations voted at the School District Meeting. The School District budget is $28m and 5% of that is $1.4m which can really sway the budget and have a large impact. Clint believes the intent is that this is a percentage of the fund balance at the end of the fiscal year and those numbers aren't determined until June 30th which makes the 5% not as easily determined as it may seem. Mike explained that we can at least understand what the max will likely be. A reading of the law states that is 5% of what it is being voted in at the annual meeting. So, there is the potential of $200,000 but also a potential of $1.4m which will be approved indefinitely. Clint stated that $1.4m would only be if they are appropriating up front which is not the what is going to happen. Patty clarified that the calculation is done from the net local school appropriation which was $18.4m and subtracts the education grant, locally retained state education tax, and state education tax for a total of $12,569,000 and then 5% of that is $638,000. Sue Whitbeck asked if there can be wording that says not to exceed 5% or not to exceed $200,000 in the article. Mike stated this would further chop away at what could be used for tax relief at the end at the year which has large budget implications.

Discussion of article 11 continued as Karen Yeaton questioned the necessity of the warrant article in its entirety. There is an average of $752,000 returned for tax relief from surplus over the last 8 years. This bill is good for towns that don't manage their budgets well but this town doesn't fall into that category. Paul Hanson questioned if this article is looking to change from 2.5% to 5%. Mark and Gerry explained that law has never been enacted in Pembroke and this warrant article would be enacted until rescinded. Paul stated if the School has been returning surplus every year and haven't needed this law thus far, then there is no need for the warrant article. Andy Camidge explained that this is not going to add to the bottom line of the budget since the most they can retain has already been appropriated. It cannot raise the budget but it alters the amount given back for tax relief. Assuming an emergency doesn't happen, then they are essentially delaying the return of tax money for a single year. This doesn't mean they will set aside money every year it just gives them to opportunity too. Patty shared an example from Deerfield. They purposefully keep the number approved every year to $200,000 so they do not have the fluctuation in the tax rate by retaining different amounts. If the money is not used, it goes back to the taxpayers.

Joe DeVouno asked if there a way to more clearly define the scope of an emergency in which article 11 would be enabled. Karen also clarified it doesn't require a specific emergency or a budget deficit to access the money. Clint explained the Department of Education will define whether or not it is a justified emergency expenditure. Karen stated she would not be in favor of putting that decision out to the state. Gerry shared that this situation has only been needed once and that is now covered by a capital reserve. This is insurance policy against a loss they likely will not have. Mike stated RSA 32:11 describes a process already in place for communities. If this goes to School Meeting, without the Budget Committee giving a recommendation, the taxpayers will never hear how the Budget Committee feels on this topic for this year or any year going forward. Mark stated the attorney would determine who has a say on whether or not the Budget Committee opines on it. There are no laws that say that the committee cannot state their opinion on a warrant article at the Annual Meeting even if there is not a vote taken on the article.

Given the extent of discussion and potential impact of the article, Mark suggested taking a straw poll in favor or not in favor of the article for informational purposes for the School Board. Andy would like to have NHDRA or whomever makes that determination bless the opining but would also like to see the level of support for the article. David Doherty asked if their lawyer gave his opinion on this. Patty stated they send the warrant articles for form but the lawyer does not give an opinion. It was not Amber's opinion that this needed to be on here. It was a new statute that was put on for conversation purposes. Mark asked the question of the Committee "Are you in favor of supporting the article" The poll was 2-7 against the article, thereby informing the School Board of the Budget Committee's perspective. Gerry would like to write to the New Hampshire Attorney General to get an opinion on whether or not the Budget Committee should be opining on this.

VI. Begin Deliberation of Budget Committee's recommendations for February Public Hearing:

Gerry Fleury noticed when comparing warrants to the CIP report there was originally an appropriation for Recreation that was removed. David explained that the funding for the stage roof was not put in, only the money for the tennis courts.

Andy Camidge asked for clarification on what article 10 would change regarding the Veterans Credits. David Jodoin explained that right now the Veteran's Credit is not inclusive of the more recent wars. The State Legislature made changes several years ago and at the time the Board decided not to adopt it. The Town Assessor stated the City of Manchester only had an extra 40 people who qualified for it at $500 a piece so it didn't have a large impact on taxes.

Joe DeVuono asked if it is possible for the Budget Committee to recommend waiting another year to see if vehicles prices come down. Mark LePage answered where there is dollar amount, the Budget Committee votes to support or not support. They can only spend up to the amount in the warrant article.

Karen Yeaton explained the Selectboard's rationale behind putting article 11 on the warrant, was to educate the community on the full cost of maintaining the clock and get a sense of whether or not people of the Town are as passionate about the clock after seeing the big picture, rather than asking for small dollar amount year after year. Joe DeVuono clarified whether or not we would continue with the 99-year lease. Gerry answered the Town has the ability to break the lease. Andy clarified that if article 11 fails then we do not vote on article 12. David explained that if Article 11 fails then article 12 is tabled.

Discussion shifted to the impacts of reassessment and the tax impact sheet. Clint Hanson suggested putting the 20% into the assessed value on the tax impact sheet in order to get a better idea of what the tax rate will be and then modeling budget on a revised valuation. Gerry Fleury commented that focusing on the assessed valuation alone will give an inaccurate depiction of the tax rate because of the different types of property in town. David explained the $789,214,047 valuation that is on the tax rate impact sheet is inclusive of all the different types of property in Town. If you add in 20% you will add in $122,000,000 to that number. Mike explained that only residential will be going up so that will be artificially raising the assessed value. David explained that he took the $789,214,047 valuation and subtracted out commercial, industrial, and current use to get down to the residential number. He took that residential number and multiplied by 20% to get to $122,783,569. Add $122,783,569 to the $789,214,047 valuation on the sheet and the rate will drop but the average person will not understand their assessment will go up so their bill is going to go up. All they will see on the impact sheet is a rate drop and they will be very upset when they receive their second half tax bill. Gerry does not believe that the Committee should use any other numbers other than what is on the tax sheet currently so residents can expect the tax increase. David Doherty agrees that there are so many parts of the budget that are out of the Town and School's controls and they both put together very reasonable budgets. There is no way to cut enough to make up for the increase in assessments. David Jodoin suggested going out to Town Meeting with what is current and not with the possibilities of what could happen down the road. Andy Camidge agrees we should go out with what is known and that there's not a lot of room to make cuts in either the Town or School budgets. Mike Connor agrees both budgets have been put together very well but he has identified around $800,000 for reconsideration. Mark LePage suggested putting those into an easily digestible list before the next meeting.

VII. Other Business:

The next meeting will be January 20th to review and vote on warrant articles to finalize recommendations for both budgets.

VIII. Adjourn

Gerry Fleury made a motion to adjourn at 8:12 PM. David Doherty seconded the motion and it was approved unanimously.

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Mark LePage, Chairman