

**BUDGET COMMITTEE
TOWN OF PEMBROKE, NH
FEBRUARY 3, 2022 at 7:00 PM**

DRAFT

Mark LePage, Chairman, called the meeting to order at 7:01 pm.

I. Attendance:

Budget Committee Present:

Clint Hanson, Dave Doherty, Joe DeVuono, Sue Whitbeck, Karen Yeaton, Brian Seaworth, Mark LePage, Gerry Fleury, Paul Hanson, Mike Connor

School Board Present: Melanie Camello, Gene Gauss, Amy Manzelli, Amber Wheeler, Business Administrator, Patty Sherman Superintendent

Staff: Jillian McNeil Recording Secretary, David Jodoin Town Administrator

II. Budget Committee Public Hearing:

David Jodoin, Town Administrator, shared highlights of the budget highlights:

- Health insurance increase by 3.7%.
- There is a COLA of 1.3% and is tied to the social security increases of 2021.
- Under Town Administration, the increase is to hire someone for the position of Town Accountant. The position has been vacant since 2016.
- Supervisors of the Checklist used to get paid only for election days. They are now getting paid \$10/hr. for the data entry.
- Cost of the yearly CPA audit increased a little.
- Town wide revaluation costs will not increase in 2022, however, in 2023 there will be a complete town-wide revaluation to capture all properties including commercial. This is tied to all the home sales that have sold well above what the Town has them assessed at.
- Planning and Zoning saw a decrease due to the loss of the Town Inspector to another town. The new hire came in at a lower rate and did not require health insurance.
- Property liability, workers comp, and unemployment comp had a reduction in their rate.
- Police Department increases are tied to salary and benefits. Selectman have approved two part-time positions and one new full-time position. There was some also salary adjustments for current officers.
- Fire Department and Public Works are seeing increases due to equipment and supply costs.
- The Solid Waste Contract is expiring this August. The new contract came in a little higher.
- Water and Sewer Departments had increases but they are not tied to the tax rate. Those increases will be shown in the user rate fees.

David discussed each warrant article:

Warrant Article #3 is for major reconstruction of Main Street. From Pembroke Street down to Broadway. The bids came in less than anticipated so leftover money will be spent in Sherwood Meadows for curbing and drainage improvements.

Warrant Article #4 is the town operating budget. If passed, the proposed increase is \$0.26/1,000 increase. That includes the assumption that all warrant articles pass.

Warrant Article #5 takes money from town surplus fund balance and go into capital reserves. This article has no tax impact.

Warrant Article #6 is to replace the 10-wheel dump truck. This is the larger truck that is used to haul sand and plow some of the larger routes such as North Pembroke Road.

Warrant Article #7 is to replace the boom flail mower. The boom flails is the machine that plows sidewalks and takes care of the brush on the sides of the road.

Warrant Article #8 is for a new cruiser for the Police Department. This will be funded from the capital reserve.

Warrant Article #9 is to repair tennis courts. Town owns the courts even though they are on school property. This will be funded from the capital reserve.

Warrant Article #10 is a non-monetary item. This article expands veterans' credit to include more recent wars and conflicts.

Warrant Article #11 is a discussion item. The Town owns the clock mechanism not the tower or building. The Town is responsible to maintain the housing where the bell is. This is to let the voters decide if they want to continue to fund all the repairs. If Article #11 passes, then the voters will move on to Warrant Article #12 which is to fund the repairs. The original 5-year plan was over \$100,000. If the Town wants to do it all at once, it will cost \$74,340. The money would come from surplus and there would be no tax impact.

Andy Camidge, Chairman Pembroke School Board, reviewed the School District warrant articles:

Warrant Article #3 is to put \$30,000 into the School Building Capital Reserve fund for future uses such as floor replacement and exterior painting.

Warrant Article #4 is to take \$30,000 out of the capital reserve to do that type of work cited in Article 3 in the coming year.

Warrant article #5 is to put \$125,000 into the School Building Capital Reserve fund, the same fund cited in Article 3, for long term maintenance projects. Those CIP projects include ADA upgrades at Pembroke Academy, gas fired heating units, dishwashers, fire life safety, and extended fume hoods.

Warrant article #6 is to fund expenses related to the addition and renovation of the Hill School. This article is to be funded from surplus and not taxation. The \$250,000 will be used to start the process of getting the plans for the addition/renovation. Next year, in 2023, there will be an article for the full cost of the project. This is a newly established trust fund and if

the project is voted down in 2023, the trust fund would be closed and funds would go back to taxpayers.

Warrant article #7 is to put funds into the Vehicle Expendable Trust Fund. This would be funded from surplus and not taxation.

Warrant Article #8 is to put money into the Site Improvement capital reserve for the care and repair of parking lots and roadways owned by the district. This would be funded from surplus and not taxation.

Warrant Article #9 is for additional funds to the Equipment & Labor capital reserve. .

Warrant Article #10 is for additional funding to technology capital reserve fund. There are some major projects coming up such as wireless access points that need to be replaced. The plan calls for funds to be withdrawn next year for such projects.

Warrant Article #11 is to officially finish the process of closing PACE Academy. It requires a 2/3 vote to pass. The sale of the building closed Thursday, January 27th. After all debts are paid, any residual funds will be returned the School District as a condition of its original charter as long as this article passes.

Warrant Article #2 is the overall operational budget in the amounts of \$28,760,113. That is an increase of \$1.1M or 4.05% over last year. When reviewing the school budget there are a number of items that are non-negotiable, voted in at previous town meetings, and contractual expenditures such as Health insurance increases, which make up over a \$300,000 of the increase. Another contributing factor to the increase on local taxes is that State Education tax funding was decreased by \$392,521

Mark LePage reviewed the tax rate impact sheet. Current final numbers for the tax rate are:

Local School	\$17.38
State School	\$1.23
Municipal	\$5.59
County	<u>\$2.42</u>
Total per \$1,000	\$26.62

Mark explained there is a factor missing from the sheet that has a large impact and that is the amount that is returned from the school district to offset the tax rate from the fund balance surplus. Last year, at the Town Meeting, the increase was over 8% but after the surplus was returned, that was lowered to just over 2%.

Mark opened the public hearing at 7:38pm

Brian Seaworth, Buck Street, expressed concern over the summary document drop in revenues said to be attributed to a loss in education tax funding. He explained that there is an identical increase in state appropriations in the upper corner of the sheet. The state adequate education grant is mostly determined per pupil that tends not to change as there is a base rate that doesn't change. There is some change depending on the need of the students but the number missing from revenues from state tax is also missing from the tax rate so there is no net loss. Andy Camidge confirmed that Brian is correct and the information is on the

supplemental sheets that will be available at the School District annual meeting, but it may have not been presented correctly tonight.

Rosemarie Michaud, Beacon Hill Road, asked for clarification that warrant articles 5-10 are coming from surplus. Andy Camidge replied in the affirmative. Rosemarie noted that is about \$453,000, which is expected to be funded from surplus. Rosemarie asked what the surplus amount was last year that was used to cover warrant articles and asked if it was likely that there will be enough surplus to cover this year. Andy stated they may not have the funds to cover them all. They are funded in the order they appear in the warrant. The surplus from last year is not a great guide on what is typically available because there was a lot of federal funds. They are typically within 3% of their budget to return to surplus. Rosemarie thinks they should get the spend down to less than 3% and not be labeled “no amount to be raised by taxation” since it was previously raised by taxation. Rosemarie discussed moving some CIP items to the operating budget and out of capital reserves. Andy explained they met with Gerry Fleury from CIP and next year there will be more detail and laid out closer to how the town present CIP items.

Mark LePage stated that NHDRA says they are required to use the terms “no amount to be raised by taxation”.

Matt Miller, Brickett Hill Road, asked about the sources of municipal revenue, noting how they are expected to increase by 43% for next year. David Jodoin stated that the biggest town revenue is motor vehicle registrations. Other sources are the State of NH, highway block grants, meals and rooms tax, interest earned on bank accounts, and transfer station fees. Matt asked if the figures for 2022 look normal going forward or is it a temporary bump. David replied that when looking at the revenue statement, there are also revenues that include water rates and sewer rates. The interest on the accounts is down, interest on delinquent taxes is going down because mortgage companies are requiring escrowed taxes, motor vehicle registrations are steady, the increases this year are more tied to water and sewer than anything.

John Scarola, Melissa Drive, asked if the overall student population is going up or down. Andy explained there was a slow trickle down for a few years and this year is up slightly and the trends show the populations is growing.

Gerry Fleury, Budget Committee, asked for opinions from the public body on the budget and the tax rate.

Kerri Dean, Melissa Drive, supports the Town and School District budgets as presented.

Rosemarie Michaud, Beacon Hill Road, unhappy with the tax rate and would like to see further reductions.

Amber White, Borough Road, would like to the tax rate reduced from where it is.

Pete Mehegan, Pembroke Street, is concerned about deep cuts to programs that will no longer give kids an adequate education. Districts will not stop suffering until the State figures out how to pay for special education.

Kristin Doyle, Center Road, clarified that when looking at the controllable spends, there is a decrease in the operating budget by \$89,000. Andy Camidge replied that if they are only looking at controllable lines, that is correct. Kristin asked for verification that the Budget Committee did not find any of the School District's budget as extravagant. Mark LePage answered that is a correct statement. Kristin voiced support for the School District budget.

Matt Petersons, Bow Lane, supports both the budgets and would encourage the Town to reflect on the significant increase to the Town's budget over time. Mark LePage clarified on the tax impact sheet, there looks to be a large increase in expenditures but that number is inclusive of the \$1.3m proposed bond. Karen Yeaton, Selectman, explained that of the net amount to be raised by taxes over the last 8 years, the difference in 8 years is under \$300,000. An average increase is 0.3%.

Rosemarie Michaud, Beacon Hill Road, expressed her opinion that there have not been large increases on the town side.

Jon Scarolla, Melissa Drive, asked when the next tax bill is. Mark LePage replied that the next tax bill goes out end of May and is due in July. Jon then asked what the increase will be. Gerry Fleury explained residents can take their two 2021 tax bills, add them together, and divide by 2. That will be the first half bill. The new tax rate will go into effect in the second half bill. When the tax rate is set, multiple the new rate out per thousand on the assessed valuation, and subtract what was paid in June.

Clint Hanson, Broadway Street, stated that Special Education is not funded by the State. It is mandated and partially funded by the Federal Government. When the programs were created, the Government promised 40 cents for every dollar expended but they have never paid more than 7 cents on the dollar. He also noted that there are capital reserves that have been created to help with tax fluctuations due to unexpected Special Education costs.

Mark LePage closed public hearing at 8:28pm.

The Budget Committee recessed until 8:32pm.

III. Approval of Minutes: January 27, 2022:

Andy Camidge moved to approve the minutes of January 27, 2022. Dave Doherty seconded the motion. Motion passed 9-0. Mike Connor abstained.

IV. Final Deliberation on School District Warrant Articles for March Town Meeting:

Mike Connor discussed the difference between budgeting based on historical spend rate for reimbursements versus funding 100% of what they are required to fund based on contractual numbers.

Karen Yeaton made a motion to reduce appropriations by \$143,750 from 1200, \$143,750 from 1300, \$143,750 from 1400, and \$143,750 from 2900 lines. Mike Connor seconded the motion.

Brian Seaworth stated he is comfortable supporting the numbers as proposed understanding that the cuts will likely not come from those lines.

Sue Whitbeck stated her concerns that these cuts will directly affect the students even though that is not the intention.

Andy Camidge stated that \$143,750 out of the 1400 lines is more than a 25% cut and even though there is flexibility, the reductions should be somewhat realistic. The 1300 lines are vocation programs for the students and cuts have a direct student impact. He noted that after specifically requesting opinions and concerns from the citizens, 2/3 of the people in attendance that spoke were in favor of the budgets as is.

David Doherty will support the School District budget as is and that these major cuts will affect the curriculum and directly affect the students. David would rather give them the flexibility to have the funds that will be returned.

Joe DeVouno clarified his intent is to reduce the number in surplus and not to take away from students.

Clint Hanson explained that there is no extra money in the budget to specifically generate a surplus. It is a zero-based budget and if there is extra money, then that is returned.

Gene Gauss, School Board, stated that 2-years after the 2017 error, the budget was frozen and a larger surplus was returned for those years. In 2020, the school was shut down and there were COVID relief funds that came in. They cannot count on having a 3% surplus. They have to look at the budget a year and half in advance and make estimations on a lot of the lines. Making large cuts to try and get at a buffer of less than 1% is not responsible budgeting.

Karen Yeaton explained there it is not her intention to imply that there is any degree of irresponsibility or unreasonableness putting together the budget. There is a difference in philosophy in the way they budget. The School Board budgets conservatively. The \$750,000 surplus that on average is returned supports that the School Board budgets conservatively. The idea is that they can look at it less conservatively and that is where the proposal is coming from.

Paul Hanson asked what difference a \$575,000 reduction makes in the tax rate. Andy answered it is possibly 2-2.5%.

Gerry Fleury cannot support a 2% reduction and would change to voting in favor of the School District budget if this motion passes.

Mark LePage called the vote on the amendment made by Karen Yeaton to reduce appropriations by \$143,750 from 1200, \$143,750 from 1300, \$143,750 from 1400, and \$143,750 from 2900 lines. Motion failed 4-6.

The Committee re-voted on the warrant articles.

Warrant Article 2 – To see if the Pembroke School District will vote to raise and appropriate the budget committee’s recommended amount of twenty-eight million, seven hundred sixty thousand, one hundred thirteen dollars (\$28,760,113) for the support of schools, for the payment of salaries for the school district officials and agents and for the payment for statutory obligations of the District. This article does not include appropriations voted in other warrant articles.

Recommended by the Budget Committee 6-4

Warrant Article 3 – To see if the Pembroke School District will vote to raise and appropriate the sum of Thirty Thousand Dollars (\$30,000) to be added to the School Building Capital Reserve Fund, previously established.

Recommended by the Budget Committee 10-0

Warrant Article 4 – To see if the Pembroke School District will vote to raise and appropriate the sum of Thirty Thousand Dollars (\$30,000) for the purpose of floor replacement and exterior painting district wide with said funds to come from the School Building Capital Reserve Fund, previously established.

Recommended by the Budget Committee 10-0

Warrant Article 5 – To see if the Pembroke School District will vote to raise and appropriate the sum of One Hundred Twenty-Five Thousand Dollars (\$125,000) to be added to the School Building Capital Reserve Fund, previously established for the purpose of continuing work on the Capital Improvement Projects. The sum to come from the June 30, 2022 unassigned fund balance available for transfer July 1, 2022. No amount to be raised from taxation.

Recommended by the Budget Committee 9-1

Warrant Article 6 – To see if the Pembroke School District will vote to establish a Pembroke Hill Addition and Renovation Capital Reserve Fund under the provision of RSA 35:1 for the purpose of studying, designing, planning, and partially funding the construction, and furnishing of an addition to the Pembroke Hill School, and to raise and appropriate the sum of Two Hundred Fifty Thousand Dollars (\$250,000) to be placed in this Fund. The sum to come from the June 30, 2022 unassigned fund balance available for transfer July 1, 2022. Further to name the School Board as agents to expend from said fund. Majority vote required. No amount to be raised from taxation.

Recommended by the Budget Committee 10-0

Warrant Article 7 – To see if the Pembroke School District will vote to raise and appropriate the sum of Nineteen Thousand Dollars (\$19,000) to be added to the Vehicle Expendable Trust Fund, previously established. The sum to come from the June 30, 2022 unassigned fund balance available for transfer July 1, 2022. No amount to be raised from taxation.

Recommended by the Budget Committee 10-0

Warrant Article 8 – To see if the Pembroke School District will vote to raise and appropriate the sum of Twenty-Five Thousand Dollars (\$25,000) to be added to the Site Improvement Expendable Trust Fund, previously established. The sum to come from the June 30, 2022 unassigned fund balance available for transfer July 1, 2022. No amount to be raised from taxation.

Recommended by the Budget Committee 10-0

Warrant Article 9 – To see if the Pembroke School District will vote to raise and appropriate the sum of Twenty-Four Thousand Five Hundred Dollars (\$24,500) to be added to the Equipment Installation & Labor Expendable Trust Fund, previously established. The sum to come from the June 30, 2022 unassigned fund balance available for transfer July 1, 2022. No amount to be raised from taxation.

Recommended by the Budget Committee 9-1

Warrant Article 10 – To see if the Pembroke School District will vote to raise and appropriate the sum of Ten Thousand Dollars (\$10,000) to be added to the Technology Expendable Trust Fund, previously established. The sum to come from the June 30, 2022 unassigned fund balance available for transfer July 1, 2022. No amount to be raised from taxation.

Recommended by the Budget Committee 10-0

V. Final Deliberation on Town Warrant Articles for March Town Meeting:

Warrant Article 3 - To see if the Town will vote to raise and appropriate the sum of \$1,300,000 for roadway improvement and reconstruction projects in Town, and to authorize the issuance of not more than \$1,300,000 in bonds or notes in accordance with the provisions of the Municipal Finance Act (RSA 33); to authorize the Selectmen to apply for, obtain and accept federal, state or other aid, if any, which may be available for said project and to comply with all the laws applicable to said project; to authorize the Selectmen to issue, negotiate, sell and deliver such bonds or notes and to determine the rate of interest thereon and the maturity and other terms thereof; and to authorize the Selectman to take any other action or to pass any other vote relative thereto. (3/5 ballot vote required)

Recommended by the Budget Committee 9-1

Warrant Article 4 – To see if the Town will vote to raise and appropriate the Budget Committee’s recommended amount of \$10,002,382 for the 2022 municipal operating budget, not including appropriations by special warrant articles and other appropriations voted separately.

Recommended by the Budget Committee 9-1

Warrant Article 5 – To see if the Town will vote to raise and appropriate the sum of \$650,000 to be deposited into the following Capital Reserve Funds established as indicated below: The sum to come from 2022 Fund Balance/surplus and no amount will be raised by taxation.

Town Equipment Capital Reserve Fund	\$200,000
Police Cruiser Capital Reserve Fund	\$ 55,000
Municipal Facilities Capital Reserve Fund	\$100,000
Fire Major Equipment Capital Reserve Fund	\$110,000
Fire Small Equipment Capital Reserve Fund	\$ 70,000
Roadway and Infrastructure Capital Reserve Fund	\$ 50,000

Revaluation Capital Reserve Fund	\$ 30,000
Cemetery Capital Reserve Fund	\$ 10,000
Police Small Equipment Capital Reserve Fund	\$ 10,000
Recreation Capital Reserve Fund	\$ 10,000
Town Clock Fund	<u>\$ 5,000</u>
	\$650,000

Recommended by the Budget Committee 10-0

Warrant Article 6 – To see if the Town will vote to raise and appropriate the sum of \$232,000 to purchase a new 10-Wheel Dump/Plow with accessories and to authorize the withdrawal of a sum not to exceed \$232,000 from the Town Equipment Capital Reserve Fund.

Recommended by the Budget Committee 10-0

Warrant Article 7 – To see if the Town will vote to raise and appropriate the sum of \$33,500 to purchase a new Boom Flair Mower and accessories and to authorize the withdrawal of a sum not to exceed \$33,500 from the Town Equipment Capital Reserve Fund.

Recommended by the Budget Committee 10-0

Warrant Article 8 – To see if the Town will vote to raise and appropriate the sum of \$52,700 to purchase a new Police Cruiser and accessories and to authorize the withdrawal of a sum not to exceed \$52,700 from the Police Cruiser Capital Reserve Fund.

Recommended by the Budget Committee 10-0

Warrant Article 9 – To see if the Town will vote to raise and appropriate the sum of \$24,900 to repair the tennis courts and to authorize the withdrawal of a sum not to exceed \$24,900 from the Recreation Capital Reserve Fund.

Recommended by the Budget Committee 10-0

Warrant Article 10 – Shall the Town of Pembroke 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 honorable separated from services and 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 Pembroke under RSA 72:28.

Recommended by the Budget Committee 10-0

Warrant Article 12 (should Warrant Article 11 be approved) – To see if the Town will vote to raise and appropriate the sum of \$74,340 for repairs to the Town Clock Tower and mechanism, and to fund this appropriation by transfer of that amount from the undesignated Fund Balance as of December 31, 2021.

Recommended by the Budget Committee 5-6

VI. Other Business:

None

VII. Adjourn:

Mike Connor made a motion to adjourn at 9:36 PM. Sue Whitbeck seconded the motion and it was approved unanimously.

Mark LePage, Chairman