

**BUDGET COMMITTEE  
TOWN OF PEMBROKE, NH  
January 19, 2023 at 6:30 PM**

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Mark LePage, Chairman, called the meeting to order at 6:33pm.

**I. Attendance:**

Budget Committee Present:

Clint Hanson, David Doherty, Sue Whitbeck, Andy Camidge, Mark LePage, Gerry Fleury, Brian Seaworth, Peter Gagyi, Louis Caron, Matt Miller, Jenn Johnson

**II. Approval of Minutes: January 12, 2023**

Clint Hanson made a motion to approve the minutes of January 12, 2023 as amended. Dave Doherty seconded the motion. Motion passed 10-0. Jenn Johnson abstained

**III. 2023-2024 School District Budget Presentation**

Patty Sherman, Superintendent SAU 53, shared the cut list that had been discussed the previous week. The Board decided to take \$20,000 out of the Technology Trust Fund for some projects and also eliminate the \$10,000 contribution in warrant article 12. The Instructional Materials Trust Fund had around \$89,000 so Patty went through the budget and identified lines that had new increases that could be funded from the trust fund. That total was approximately \$49,000.

Gerry Fleury expressed concern for warrant article 9 because the School Board is asking voters to opine whether or not they can remove funds from a reserve they are agents to expend on. If the governing body votes no, does the School Board still have the authority to spend the money? Patty explained the article is on there for transparency and it the way they have done it in the past. The Committee agrees they need to remove the article because it creates confusion.

Patty explained they took the Committee's suggestion and combined articles 5 & 6 for a new total appropriation of \$205,000. They also eliminated all funding from taxation and changed it to surplus.

Matt Miller asked if the reserves are at target level. Patty explained the School Board asked Josh Coughlin if there was a time when the funds weren't funded adequately, or projects were put off. He answered that typically the paving is put off and they are getting close to being unable to continue patching. The Board voted to add \$55,000 for paving to the Site Improvement Capital Reserve.

Mark LePage stated with the changes, the new operating budget for the School District is now \$29,752,151 which drops the appropriations to \$30,903,520. That changes the net amount to be raised by taxes from 17.9% to 17.1% and the total tax rate increase from 17.6% to 17.3%.

Gene Gauss explained last year surplus is around \$526,000. The warrants to be paid from surplus total around \$480,000. Therefore, there will be a short surplus this year going back for tax relief.

Peter Gagyi expressed frustrations that they have requested yearend financial reports and audits the past few weeks and have not received them.

#### **IV. Review Town Warrant Articles**

David Jodoin, Town Administrator, reviewed the Town warrant article.

- **Articles 3 and 4** are to rescind unissued bond authorization and will require a ballot vote. These were projects that were voted for at Town Meeting and the Town did not need to use all the authorized funds. Technically, the Town can still expend the funds up to the dollar amount specified in the original article. These new articles remove that authority. The Town has a debt limit they have to stay under so it is good practice to clean up these types of articles, but it can only be done after 5 years.

Matt Miller clarified this is not asking to spend more money or cash in bonds. David explained it is not. The article was approved at \$1,400,000 and the Town only spent around \$837,000. The remaining balance is no longer needed.

Gerry Fleury explained the other Town entities, Water, Sewer and school may be running up the debt limit.

Mark LePage would like to see David come up with an analogy for the public hearing that can help make sense of these to the taxpayer.

The Committee discussed ways to make the article clearer that it is the original article that is being listed and not asking for a new authorization of \$1,400,000.

Jenn Johnson asked what happens if the Town votes no. David answered then they still have the authorization to spend the rest of the money.

Louis Caron asked if the entire \$1,400,000 was put into an account. David answered no, he only took out a loan for the \$837,000. The rest is authorized if needed.

- **Article 5** does not require a vote and is a citizen petition to change the Town to an SB2 community. There will need to be a public hearing at the Selectman's level, as well as one for the corresponding School warrant article. The Budget Committee and School Board will need to have discussions on the impacts of this. This will complicate the budget timeline and cause even more complications if it passes at the Town and not the School or vice versa.

Gerry Fleury asked if the Town would have to hire additional staff to meet all the requirements. David answered everything will need to be moved up including CIP because the budget process will start in August now. The default budget is what creates difficulty. In regard to personnel, the default budget is created off contractual obligations and most employees are non-CBA. This creates a shortfall. This could happen with any appropriations that are not contractually obligated. Staffing is unknown but the Town Clerk is concerned that this will put more work on his office.

Mark LePage stated they will need to discuss and take a position on the article. David Doherty clarified they cannot take a formal vote because it is not a money article. Gene Gauss stated the School Board cannot take a formal position on SB2 because they are the governing body and there could be legal implications. They feel more weight will be carried if each person gets up and takes a personal position.

David stated the ambulance will be dissolved in 2024. They are a contractual obligation between both Towns but no one will see the revenues as part of a default calculation. In a default budget situation, the gap between what is in the 2023 budget and what will be needed in the 2024 budget will be enormous. If that happens, the Selectmen will need to either find the money or provide no service or cut the paving budget to compensate.

Clint Hanson thinks it would make sense to vote on a stance of the Committee. There will need to be clear examples of what SB2 is and what can happen. It is very difficult to undo SB2 if it voted in.

Brian Seaworth agrees with the School Board not taking a position but getting up one by one and taking a position. The Budget Committee may want to do the same.

Mark LePage stated for the Budget Committee public hearing, they are only looking for input on dollar warrant articles. Someone would be free to ask for their opinion, but they wouldn't be discussing the SB2 article at that time.

Sue Whitbeck stated if they were switched to an SB2 community, they would be projecting another 3-4 months out on top of what they are already projecting out which makes the budgets less and less accurate.

David explained if they want to buy breathing room, they have the ability to change to May town meeting. That would be better for the school but more difficult for the Town and likewise for the Budget Committee.

Louis Caron would like a presentation made to the Board so they can understand the situation a little easier. Jenn Johnson explained she has looked for a clear chart of differences on the NHMA site between traditional and SB2 and while there is a lot of information out there, she could not find a clear chart. Mark LePage noted he would look for information and forward to the committee.

- **Article 6** also does not require a vote and is for the All Veterans Tax Credit. The legislature changed the language for qualification from anyone out of the service and in good standing only to also including anyone currently serving. The Town needs to re-adopt the credit with the new language. If this article fails, the credits go away entirely. It does not revert to the previous language.
- **Article 7** the elderly exemption changes the qualifying values. If this article fails, unlike the Veterans Credits, the current values will remain.
- **Article 10** is the total operating budget of \$10,671,113 which includes Water and Sewer. This is higher than it has likely ever been. David highlighted increased costs for solid waste, recycling fees, Main Street Bond, more money for the paving lines, new employee at the Police Department, new employee at Town Hall, COLA adjustments in CBAs, salt and sand increases, fuel increases, and Fire Department turn out gear increases.
- **Article 11** is to raise and appropriate \$1,112,850 to be deposited into the Town Capital Reserve Funds. The sum will come from the 2022 fund balance/surplus. Fire Department air packs were originally slated for 2027 and they were moved up to 2025 and then they started failing so they need to be funded now. Vehicles for Public Works costs are escalating dramatically and same with Fire Major Equipment. There are some infrastructure issues with culverts and a major issue with a pipe at Memorial Park that is forecasted at over \$400,000.

Matt Miller asked for the total amount of the 2022 fund balance. David estimates close to \$6.5 million. They haven't finished auditing 2021 but once that is done, he will have a better idea. The fund balance policy is 25% of gross appropriations and is made up of overages from expenditures and revenues and build up over time.

Gerry Fleury stated that funding warrant articles from surplus means it has to be paid within 10-days of Town Meeting and asked if the cash flow handle that. David answered it can. But there are no guarantees that there will be funding in 2024 for Capital Reserve Funds. We were hit this year with some major unexpected items like the Ambulance situation and the airpicks for the Fire Department.

Brian Seaworth explained when the Town thought they were heading to the Supreme Court over the Signs for Jesus lawsuit, they allowed the fund balance to build up. What is the magnitude of the surplus that was freed up by not having to do that? David explained at that point there was \$7.9-8m in fund balance. When the Town was notified that the case went in favor of the Town, that was the first year that they funded money going into Capital reserve from surplus, and the Town also purchased the trash truck. The idea is to be able to use the surplus to stabilize the tax rate and hopefully fund the Capital Reserve accounts.

- **Article 12** is to raise and appropriate \$250,000 to purchase a 6-wheel dump/plow truck and to authorize the withdrawal from the Town Equipment Capital Reserve.
- **Article 13** is to raise and appropriate \$65,000 to purchase a new wood chipper and accessories for Public Works and to authorize the withdrawal from the Town Equipment Capital Reserve.
- **Article 14** is to raise and appropriate \$55,420 to purchase a new police cruiser and accessories and to withdraw the funds from the Police Cruiser Capital Reserve Fund.
- **Article 15** is to raise and appropriate \$24,000 to repair the soccer roof and dugouts and to authorize the withdrawal from the Recreation Capital Reserve Fund.
- **Article 16** is to create a capital reserve fund called the Ambulance Replacement and Equipment Fund for the purpose of replacing future ambulances and equipment and to further raise and appropriate \$5,000 to be deposited into the fund.
- **Article 17** is to see if the Town will vote to adopt the Pembroke Community Power Plan. This article does not require a Selectman vote to approve.

There will likely be another petitioned article from a homeowner to open a section of a Class VI roadway on Third Range Road.

## **V. Begin Deliberation on Recommendations for Public Hearing**

Peter Gagy explained looking at the tax summary sheet against the NHDOE cost per pupil. Since 2000, enrollment is down 18% and cost per pupil is up 69%. That will impact his decisions.

Matt Miller is concerned for the large jump in appropriations and the difficulty it may present when trying to explain the budget to residents. He did not find the spending in each of the individual budgets remotely extravagant. Clint Hanson explained another piece to that is the revenues being down and that the assessed valuation is unknown at this time which has a large impact on the overall tax rate. Brian Seaworth explained the adequate education revenue numbers are not actually down. It shifts between the state school revenue and adequacy grant and while it doesn't work exactly out dollar for dollar, you can see the correlation between the two.

Sue Whitbeck agrees that the 17.6% increase is all taxpayers will see but she also cannot find frivolous items in the budgets.

Gerry Fleury explained the summary of tax rate impact sheet is essentially a worst-case scenario. There is a danger of presenting this large increase and there is a fear someone may move to cut the budget by some arbitrary number. Clint Hanson stated that while acknowledging the problems in the worksheet, it might help to show that historically the numbers are not accurate and showing the inaccuracy of budgeting with estimates might help.

Brian Seaworth stated there are years that a conservative estimate created a padding. Brian is concerned that this year, those conservative estimates are more accurate which is a very different situation than the Town has historically been in.

Matt Miller supports presenting a tax increase range to taxpayers. It could be done by looking at the lines where there is great uncertainty and basing it off that. Mark LePage explained that would be a lot of extra work for David and Amber. They have discussed the feasibility of giving a range in the past and decided against it.

Sue Whitbeck stated that people should be able to recognize the increase in prices in their own lives and be able to understand that the Town faces those same increases, but the question will be how much they can tolerate.

Jenn Johnson stated a range could be a disservice to the Town Departments because it could be construed as departments asking for more than they need whereas a Budget Committee, we know that it isn't true.

Gene Gauss explained a large reason the increase exists for the School is that they gave back \$1.2m to tax relief. They received a lot of COVID funds accompanied by other years of budget freezes. That money does not exist this year. It is one of the factors to the large tax rate swings they have been seeing in recent years.

David Doherty stated they do not have a lot of control over the numbers. The Committee has done its due diligence and now they have to go to the voters and try and convey that confidence in the numbers. They need to be able to explain that there is not a lot of movement available in the budgets.

Jenn Johnson asked if the unassigned fund balance is used to offset the tax rate. Gerry Fleury answered it can be done and the NHDRA does keep an eye on it. They do not want Towns to be keeping too much money in fund balance.

Brian Seaworth discussed having a list of areas that could be cut in case it comes up at public hearing or Town Meeting.

Gerry Fleury shared sentiments that they have to keep the people who live at the threshold of the elderly exemption in mind and represent them but they also cannot look at that income level and think that's the ceiling. By slightly inflating the numbers with conservative estimates, it gives people the time to come up with the funds by the time the tax bills are due.

## **VI. Other Business**

Budget Committee Public Hearing will be February 2<sup>nd</sup> with a snow date of February 9<sup>th</sup> at 7:00pm at the Pembroke Academy Auditorium.

## **VII. Adjourn:**

David Doherty made a motion to adjourn at 8:43 PM. Clint Hanson seconded the motion and it was approved unanimously.

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Mark LePage, Chairman

For more detailed information, the meetings are now taped and can be seen on [www.townhallstreams.com](http://www.townhallstreams.com) click on Pembroke NH and look for the day of the meeting under the month.