

**BUDGET COMMITTEE
TOWN OF PEMBROKE, NH
February 1, 2024 at 6:30 PM**

FINAL

Video recordings of Budget Committee meetings can be found at:
https://townhallstreams.com/towns/pembroke_nh
The relative start time of each agenda section is noted below.

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

I. Attendance

Budget Committee Present: Mark LePage, Gerry Fleury, Clint Hanson, Gene Gauss, Brian Seaworth, Peter Gagyi, Matt Miller, Jason Mayeu, Louis Caron, Sue Whitbeck

Budget Committee Excused: Jennifer Miskovic

Budget Committee Not Present: None

II. Approval of Minutes: January 25, 2024 [0:28]

Clint Hanson made a motion to approve the minutes of January 4, 2024. Jason Mayeu seconded the motion. Matt Miller suggested an edit on the top of page 6. He requested a change from “he feels as though the funds should be returned to lower the tax rate” to, “he feels that sufficiently funded accounts should not be added to, and the funds should be returned for tax rollover”. Louis Caron suggested a correction on the vote for School Article 5 from 10-1 to 10-0. Louis recommended keeping vote count consisted with “yes” coming first and “no” coming second. Mark stated that it can be done either way so long as the recommendation is noted, but that we could change the practice going forward. Motion passed as 9-0 as amended.

Town Budget – deliberation & voting for public hearing [03:08]

Clint handed out a sheet that gave examples of Property Tax Calculations Due to Valuations. Clint felt as though the impact of the revaluation needs to be acknowledged and that his sheet shows this more completely. He went through and explained further with examples of valuation increase and how that would impact the taxes owed. He feels that the town has been undervalued. The tax rate on the tax sheet is not usually accurate. He thinks that his method is a more accurate representation. Mark wanted the Committee to know that using this method would change the Total Valuation amount and the Tax Rate Increase amount on the tax sheet. Mark did not agree that this method should be used because he feels that using a 4.6% increase on the tax sheet would not accurately reflect the increases that residents would see in the upcoming year. He did not feel confident presenting this number. He wanted to keep the focus on the budget numbers as opposed to the valuation. There was further discussion surrounding which method to use. Matt felt that there is a level of uncertainty with involving the upcoming valuation in the tax sheet. Gene Gauss felt that they need to keep the original number to not cause confusion. Gerry Fleury felt that revaluation should not be taken into consideration unless there was a mistake found in the valuation being used. He felt that the tax sheet should remain the same. Peter Gagyi agreed that valuation should not be taken into consideration and the timeline distributed the prior week should be used to explain the tax process. Clint made a point that everyone will have a different tax valuation and it needs to be acknowledged to be transparent. Sue Whitbeck asked what Mark plans on saying when he is asked about the revaluation. He said that he would be very general with answers on that topic because there is not a set area. Specific situational questions will not be answered at the Public Hearing. The assessor’s handout and timeline will be available. Louis asked about older houses being assessed at a lesser amount when they are the same size and style as a new build. David responded that the older house would show a depreciated value among other factors. Gerry spoke about there being a shift in tax burden from commercial to residential. He then gave a brief history of the change in his property taxes for the 48 years that he has been paying property taxes in Pembroke. The town has seen a 27% increase before. The cost of living has increased, the same is true for the town. Mark then took a straw poll of using an increased assessed value and the tax sheet will remain as is.

Article 4 – To see if the town will vote to raise and appropriate the sum of \$721,355 to purchase a new EV refuse truck with accessories.

Gerry spoke about the current situation with the EV refuse truck. He looked at the grant application and there were some questions that needed to be addressed. Solid Waste convened a meeting on Tuesday, January 30, 2024. Quotes were received in June and July for the EV refuse truck, but they were not set in stone. When Gerry contacted them, the New Hampshire Department of Environmental Safety (DES) said it was not possible to amend the application amount to account for increased costs. The thought now is to use the capital reserve for town vehicle replacement. If the warrant were amended to say this, it won't touch the tax rate. The town must buy the truck outright and will be reimbursed. The town will pay as each piece is delivered. It could be as much as a year and a half before the funds are reimbursed. If the town were to use tax anticipation notes that would include interest charges. Gerry did emphasize that the grant is worth over \$600,000 and the town will not get another chance at that money. He stated that the Peterbilt (the truck that the EV refuse truck is replacing) will have to be replaced either way however, the cash flow implications make it complicated. He then went over cost savings from EV refuse trucks. Recommendation of the Solid Waste Committee is to recommend the article. Gerry will also be attending the Selectboard Meeting to seek their recommendation. Gerry made a motion to recommend. Clint seconded.

Sue asked if there was a timeline for the project to be completed to qualify for grant funds. Gerry said that grant is for several years out. Brian Seaworth inquired if there was any uncertainty about the grant money being reimbursed to the Town. Gerry stated that the grant was already allocated. It could up to forty-five days from the invoice being sent to DES until reimbursement is received. This will happen when the Peterbilt is disabled permanently. He mentioned that there are environmental savings as well as financial savings. Brian noted that there might be some additional operational burden, paperwork, and maintenance. Gerry added that the vehicle continues to be the property of the State. There may be some checklists and other reporting that goes along with the grant. Reports will most likely be quarterly and annually for the first 5 years. Louis asked about three phase power being installed at the Public Works Garage and David said that it is already installed. He also asked about the dumpster no longer being needed and Gerry said that the rental and hauling charges for that would be eliminated. Gene asked if there was a specific dollar amount coming out of the Capital Reserve Vehicle Replacement. David stated that the Selectboard will be look at a sum not to exceed \$100,000. Gene asked if that will be a hit to the tax rate. There was some discussion, but ultimately Gerry stated that it will not hit the tax rate. David spoke about the money being encumbered. He went over a timeline for the cash flow with the Committee. Mark asked for a vote contingent upon the proposed edits to the warrant article.

Vote was 9-0 as amended. The article was recommended.

Article 7 – To see if the Town will vote to raise and appropriate the Budget Committee's recommended amount for the 2024 municipal budget.

Gerry made a motion to recommend. Louis seconded the motion. Peter opened with suggesting that they approach this article by a vote from highest proposed budget to lowest that everyone on the Committee was comfortable with. Mark added that cuts need to be recommended from a specific MS737 bucket. Brian agreed that there should be a focus on everyone's bottom line number and subsequently a focus on where to cut from. David mentioned that water and sewer must be removed from the budget since they are self-sufficient.

Matt started with areas of concern for him with the Town Budget. He spoke about the four biggest increases being vital services to the town. Ambulance, Police, Public Works, and the library were the largest increases. They are having steady increases, and he does not feel that they can continue with that trend year after year.

Gerry spoke about how he has a hard time with the town budget. He also added his support for the Library Budget as he has visited and thinks that the programs they are running are affecting real people in a positive way. Sue spoke about the library doing their best to keep the programs going regardless of cuts that may be made.

Gene spoke about not knowing where to make the cuts. He spoke about trusting those reviewing and presenting the budgets. There are no wants in the budgets, they are needs. He also spoke about spending in other towns and Pembroke doing things the right way. Sue said that he does not know what would be cut, especially when looking at the Police Budget. She wants retention among those officers and staff.

Mark spoke about what this conversation would look like after the Public Hearing. The Committee should make sure that they don't take the easy way out. He was concerned based on the current projected tax increase. Peter suggested that they go back to his original suggestion. Brian added that the number that is recommended should be something that most voters would vote for, but it is hard to know that. At that point, the Committee could explain real world scenarios to the public about what would be cut. Sue pointed out that, at the Town Meeting, if the Committee had made a cut, the residents can increase the budget by up to 10%, but they can decrease it by as much as they want. There was discussion on this.

David cautioned the committee about the perceptions of threats of cuts. On the other hand, if cuts are not made going into Town Meeting, there may be large cuts from the floor. He did mention that there have been many cuts already.

Motion to recommend budget of \$11,624,396. Vote was 9-0. Warrant article was recommended.

III. School Budget – deliberation & voting for public hearing [01:13:54]

Article 7 – To see if the Pembroke School District will vote to raise an appropriate the sum of up to \$155,000 be added to the School Building Capital Reserve Fund.

Gene motioned to reconsider the article, which had failed 3-7 in last weeks vote, due to new information coming forth. Brian seconded the motion. The vote was 8-1 to reconsider. The amount in the capital reserve fund was reported as approximately \$520,000. There were expenses not yet reflected in that amount for a new phone system at \$110,000 and \$40,000 for article 5. Article 7 was brought forth to replenish the fund to \$525,000 with a target amount of \$500,000. Gerry noted that this article, or other articles for the School District, would have no impact to the tax rate and potentially results in a lower tax rate than what is anticipated if they are not approved or not funded because of a lack of surplus.

There was a motion to recommend from Brian with a second from Clint. The vote was 5-4. The article was now recommended.

Article 2 – To see if Pembroke School District will vote to raise and appropriate the Budget Committee's recommended amount of \$34,093,987 for the support of schools.

Clint made a motion to recommend, and Louis seconded it.

Matt initially spoke about cutting the School Budget by \$2.021 million. The accounts are as follows:

1100	Regular Education	\$1.301 million
2100	Student Support Services	\$10,000
2300	Indirect Costs	\$58,000
2400	School Administrative Services	\$12,000
2600	Operations and Maintenance	\$96,000

2900	Benefits and Deferred Benefits	\$814,000
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Matt made a motion to recommend. Brian seconded the motion.

Sue questioned cutting the 2900 lines and if that was possible. Matt discussed the 1100 lines including salaries from reduced staffing affecting those lines as well. He talked about the correlation between salaries and benefits and how both would be affected by a reduction in staffing. He then spoke about the 2300 lines and said that there were small cuts throughout. He spoke about the 2600 lines and the electricity budget. He did not see an increase in the data he was provided regarding electricity, but Mark said that he thought there was an increase. Sue asked if he was thinking of primarily cutting salaries out of the 1100, and he confirmed that \$630,000 was salaries which reflected the increase seen year over year.

Gene added that this number would equate to approximately 9 teachers, which would educationally bankrupt the schools. This would primarily affect K-8. He continued to explain the hypothetical situation, which included class sizes approaching the state maximum. He stated that the staff is the most important asset in the district. It wouldn't make sense to take teachers from Pembroke Academy, because it would only be approximately \$0.40 on the dollar. This could upset the sending towns and possibly open the Authorized Regional Enrollment Agreement (AREA). Losing these sending towns would ultimately increase the tax rate. The students will end up paying in the form of their education. He went on to mention programs being discontinued and past investments in these programs being wasted.

Matt agreed with Gene but stated that he invented a scenario because he had asked for scenarios to be presented by the School District and those were never given to him or the Committee. He did not believe it was fair to go to Town Meeting with an uncut budget and believes that there is a world where his scenario works. He felt strongly that there needed to be an alternative to present. Gene stated that they were talking about cutting almost 10% of the certified staff and it would have a large impact on the quality of education.

Sue added that people will be lost if this type of cut occurs. A large amount of the budget has a 0% increase. Gene talked about the increases in wages catching up with inflation. He also said that the School Board zeroed out lines to keep the staff as is. He spoke about re-evaluating the 1200 lines because he does not want to touch the 1100 lines any more than they already are. He talked about repaying back the district for putting his children through school.

Peter spoke about an example of the maximum number of children in a high school classroom being 25 and we are currently at 15. He suggested meeting in the middle. He stated that he had not received information on class sizes for Pembroke Academy or Three Rivers School. Gene noted that is because students move throughout the day. The information is available for Pembroke Hill School. Peter wanted to know this information for Pembroke Academy and Three Rivers School. Since there is software in place, there shouldn't be any problem getting this information. Gene used AP classes as an example with 4 to 6 students in it. This is an essential offering. Peter also spoke about adjusting staff accordingly every other year as opposed to waiting to do 10 in one year. This would be less of a hit.

Brian agreed with Matt's approach, a number must be picked for discussion. The debate that was being had was needed. He discussed the use of examples of cuts at Town Meeting to make sure that the public understands the current situation. The final decision does not need to be made until after next week. Gene stated that the School Board is talking about contingencies currently for proposed cuts.

Sue asked if the School Board Association does any lobbying for the Federal Government's portion of Special Education. Clint stated that the State School Board Association does. He also stated that they do not have a budget problem, they have a revenue problem. Appropriations are up 11% and revenues are down 6%. He cannot support cutting from the school at this time when the town is asking for an 8.6% appropriation and the school is asking for a 12.8% increase.

Gerry proposed a \$300,000 cut or less than 1%. He stated that it sends a message to the School District that this is not acceptable, and they need to be creative about how the money gets spent. A large cut as proposed would affect class sizes and quality of education. This proposal would come from the 1100 lines. He believes that there is fat in the 1200 lines, but since the Committee cannot touch them, he thinks the School Board should review.

Louis brought up the Potential 2024/2025 Budget Cuts sheet that the Committee received on 12/21/2023. If you back out those accounts funded by Elementary and Secondary School Emergency Relief Fund (ESSER) funds, it adds up to \$433,760 that was potential. That included cutting the Math Coaches as originally proposed.

Matt said that his proposed cut is 7% of the budget. He used the example of a resident household cutting 7% of their budget. The family would make it work.

Gene reminded the Committee that if the proposed cut passed, the budget would be less than the current year's budget.

The vote on the \$2.021 million cut was 3-6. The motion failed.

Gerry made a motion to recommend a \$300,000 cut to the 1100 lines. Gene seconded the motion.

Gerry talked about the impacts of his proposed cut. He said that they would likely lose one K-8 educator and possibly some co-curriculars. Pembroke Academy would largely stay intact. Gene stated that if co-curriculars are cut, parents will find other schools to send their children to. This would impact revenue. Louis added that this amount is close to the potential cuts from the sheet he had mentioned earlier.

Jason added that he has spent lots of time on the budgets. He has looked at all the large increases, factoring in lines like Special Education and Collective Bargaining Agreements that cannot be cut. There's not a lot of places to cut from. He stated that he wanted to believe that the School District put together an austere budget. He said it will hurt when the tax bill comes but believes that there does need to be some type of cut, even if it is only \$300,000. It lets them know that the Committee is getting serious.

The vote was 8-1. The motion for a budget reduction of \$300,000 to the 1100 lines was recommended.

Matt made a motion for a \$96,000 cut in the 2600 lines. Brian seconded the motion. Clint noted that this would make the total cut \$396,000. This just adds to the \$300,000 as the School Board can move funds around any way they would like to achieve the cut.

The vote was 4-5. The motion for a budget reduction of an additional \$96,000 (from 2900 lines) failed.

Louis asked about Master Educators in the 2900 lines on the potential cuts sheet. Gene and Kerri Dean, School Board Member, responded that these were the Math Coaches.

A final vote was taken on a budget of \$33,793,987. The vote was 6-3. The motion was recommended.

IV. Other Business [XX:XX]

a. Public Hearing Preparation

Notices have been posted in the Concord Monitor. The Town's was published on January 30, 2024. The School's was posted on February 1, 2024, but the time was published incorrectly and will be correct on February 2, 2024.

The Public Hearing will be at 7:00 pm on February 8, 2024. Matt will take down names of those residents who choose to speak. There will be the town package, school package, the timeline, tax sheet, and the assessment handout available.

Mark will be working on the update draft of the tax sheet.

V. Adjourn: []

Clint made a motion to adjourn at 8:59 PM. Brian seconded the motion, and it was approved unanimously.

Mark LePage, Chairman

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