

Town of Hampton



TOWN OF HAMPTON BOARD OF SELECTMEN October 22, 2009 Minutes

PRESENT: Richard Griffin, Chairman
Richard Nichols, Vice Chairman
Richard Bateman
Gerald Znoj
Frederick Welch, Town Manager

ABSENT: William Lally

7:00 PM

Chairman Griffin called the meeting to order at 7:00 PM and introduced the members of the Board.

SALUTE TO THE FLAG

- I. Public Comment Period – None.
- II. Announcements and Community Calendar – None
- III. Appointments
- IV. Budget Work Session

1. Dyana Martin, Director of Parks and Recreation

Mrs. Martin presented her Parks budget to the BOS and discussed the areas that were changed and the needs of the department within the parks aspect of the department.

General questions concerning the following were asked: which of the park's area of the department's functions which are to be privatized, the revenue forecasts for the parking lots, which did very well despite the weather of the summer and general expenses (staff development, copier costs, gas, etc.) for the department.

The Recreation aspect of the department has expanded greatly over the years; it began with focusing on programs for the Youth and now includes program that target seniors and young adults. The Recreation aspect of the department ran 190 programs this past year. Discussion on the issue of hiring of life guards is a problem as the pay is not competitive with other towns (Salisbury, MA) that pay nearer to \$14.00 as to Hampton's pay at \$8.00.

2. John Price, Director of the Department of Public Works

John Price and Theresa McGinnis, Assistant Operation Manager.

Mr. Price outlined the DPW budget. Under Highway there is one vacant position. The budget is down 8.6 % from last year's amount. Part-time wages have been cut 48.48 %; Overtime wages has been cut 33.45%. Discussed several items that have be reduced in the budget and what monies that were requested in this budget. The requirement of drug and alcohol testing costs have risen due to State and Federal DOT requirements for CDL's.

General questions regarding spending on several line items within the Highway, the Sewer and the Transfer Station Department's budget were asked by the BOS, items touched upon were: heating costs; uniform rentals and associated costs; building maintenance cleaning and repairs, electronic gate; part-time wages; the vacant position; the costs of gas and lawn care; and road and sidewalk maintenance costs; storm drain reconstruction costs; telephone costs.

Discussion on the privatization of the Sewer Plant and Transfer Station Department activities and the bid have gone out and the results will not be in till mid 2010. This will be very complicated process and the upgrades have to be done within the Federal Guidelines or the Town will be fine.

Mr. Nichols would like to speak on a couple of other points.

V. Closing Comments

Mr. Nichols MOTIONED to reduce the proposed operating budget by \$500,000 to \$24,260,595.

Mr. Bateman asked the purpose of the discussion.

Mr. Griffin SECONDED

VOTE: 3-1-0 (Bateman)

Mr. Nichols commented on the following:

Tax Affect Spending. At this point a \$1.46 million or 6% tax affect spending increase has been proposed

This represents a 2% reduction in the proposed 2010 Operating budget.

Less than a 1% reduction, when compared to the 2009 revised budget.

Taxes have been higher than necessary to support required expenditures for some time.

We will under-spend the original 2009 budget by as much as \$750,000 this year.

Another indicator is the growth in fund balances.

The combination of the "Designated for Contingency" and "Undesignated General Fund balances will have grown from \$530,000 in 2005 to \$3.7 million at the end of 2008, this is a good thing.

The health of the balance sheet will continue to improve in 2009 and I believe will exceed the Manager's stated goal of equaling tax receivables.

Mr. Nichols suggested the following of where adjustments could be made.

Reducing O/T by \$300,000 would still leave \$879,000 in budgeted O/T.

\$300,000 represents less than 3% of total proposed wages of \$10.3 million, hardly draconian.

Spiking charges have just been deferred to July 2010, not eliminated at this point.

Overtime is the primary underlying driver of spiking charges.

I believe a \$200,000 reduction in miscellaneous line items is reasonable.

Based on an analysis I provided you on 280 small and not so small line items, the 2010 proposed budget is over \$700,000 more than the August 2009 YTD annualized run rate and \$250,000 more than 2008 actual expenditures, on these line items.

Mr. Nichols gave the following line item examples that illustrated the above points

\$12,000 reduction in the Library budget to level Funded still would allow additional spending.

Eliminating Rockingham Planning commission dues of \$16,500 should be considered; did the Planning board get back to us on this?

The Town Clerks Accuvote Machines \$9,000 are not necessary, if we keep the warrant articles down.

A \$5,000 reduction in the Tax Collectors software support has already been identified.

2010 Gasoline and Diesel line items are \$36,214 over the 2009 August annualized running rate.

2010 Heating line items are \$34,000 over the 2009 run rate. This was calculated by applying the 2008 Aug. YTD to full year actual ratio, to the 2009 Aug. YTD amount. We appear to use 80% of full year natural gas through Aug.

The Welfare Department's 2010 budget request is \$57,000 more than the 2009 annualized run rate.

Shifting more EMS related operating expenses into the EMS Revolving Fund 27 has the potential to reduce the Operating budget by a huge amount.

Fund 27 had an end August fund balance of \$513,000; an ambulance costs \$150,000.

Mr. Nichols stated that the BOS need to keep the operating budget down, in order to enable the voters to approve important warrant articles such as Fire stations, without experiencing a huge tax increase. Mr. Nichols spoke on the need to better understand some historical factors, when considering the 2010 Default budget. For 5 of the last 6 years the bottom line of Operating budget has been determined by the default budget.

The one year the voters approved the proposed Operating budget, 2008, it was lower than the Default.

I've often wondered how we got from Operating spending of \$20.4 million in 2003; the last year voters approved the higher amount, to a default budget of almost \$25 million in 2009. The \$25 million excludes the \$650,000 spiking charge. I knew a big jump in debt service in 2005 accounted for a little over a million of the increase; health insurance and retirement benefits have been going up, there were wage increases in 2004 and 2005. However, the \$4.5 million increase over 6 years still seemed high, based on the definition of a Default budget, "same as last year, plus contractual commitments, minus one time expenditures".

And I should point out that the Town did not employ Fred and Mike, back in 2005.

In 2005, the year of the proposed 23% increase in the Operating budget, the budget included a \$500,000 increase in health insurance costs, from \$1.8 million in the 2004 budget to \$2.3 million in 2005. The same amount appears to have used in the insurance line in the 2005 default budget,

insurances are not broken out by types of insurance in the Default. The actual health insurance expense in 2005, as reported in the 2007 budget book was \$1.8 million or \$500,000 less than the \$2.3 million in the 2005 budget proposal that appears to have been used to set the 2005 default budget. Essentially, the 2005 default budget was artificially high by \$500,000, based on the health insurance line alone. When line item level revisions were made to the 2005 budget, which was based on the Default budget bottom line after the 23% increase was turned down, it appears that \$375,000 from health insurance was redistributed to other lines in the budget.

The 2005 default budget was the basis for default budgets going forward from 2005, thus this has implications related to the accuracy or fairness of the a 2010 Default budget. It also makes one wonder if there were other line items that were set artificially high. Changes in the methodology used in forecasting health insurance costs, implemented recently by Mike Schwotzer, have improved the accuracy going forward. However, I don't believe it resolves the 2005 anomalies impact on future years, because of the redistribution that took place. Compounding may also be an issue.

I'd like to request that the Finance Director look into this in the course of preparing the 2010 Default budget, and take it into consideration when making his recommendations on the Default budget.

Mr. Schwotzer explained that there will be a problem mechanically because the budget is based on the default budget from the previous year and consideration should be taken in that other costs have grown and of which these costs do include all the types of insurances (medical, retirement and FICA) cost and debt services.

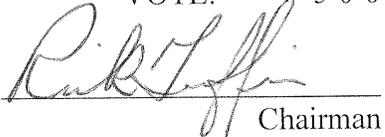
Mr. Nichols pointed out again that the Town did not employ Fred and Mike, back in 2005.

Mr. Schwotzer pointed out that that budget number will be a couple of hundred thousand lower than the default and that the voters typically vote the lower budget.

VI. Adjournment

Mr. Znoj MOTIONED to adjourn the meeting. Mr. Griffin SECONDED.

The Board adjourned at 8:51 PM

VOTE: 5-0-0

Chairman