

NOTES OF JANUARY 10, 2013 RYE BUDGET COMMITTEE MEETING
Public Hearing – Town Budget
Final Revision B – Provided by the Rye Civic League

Present from Budget Committee: Randy Crapo (representing Jenness Beach Village District), Shawn Crapo, Jim Meheras (Vice Chairman), Paul Goldman (Chairman), Peggy Balboni (representing School Board), Joe Mills (Selectmens' Representative). Arrived late: Frank Drake (Rye Beach Village District), Ned Paul

Also present: Mike Magnant (Town Administrator), Cindy Gillespie (Town Finance Director), Skip Sullivan (Fire Chief), Kevin White (Police Chief), Dennis McCarthy (Public Works Director)

Commencement of meeting and approval of minutes

A few minutes after 6:00 p.m., the scheduled start of the meeting, after Selectman Joe Mills walked in, Chairman Paul Goldman announced that a quorum of six persons was now present and the meeting would commence. He stated that all of the Budget Committee members present at the hearing on the school budget the prior night were expected, but that some were late.

The minutes from the December 13, 2012 meeting were unanimously approved without changes. Shawn Crapo abstained as he had not been present.

Discussion of Warrant Articles not previously approved

Frank Drake arrived shortly after approval of the minutes.

Mr. Goldman announced that Article 4 on Town Hall and Article 6 on the Goss Farm Barn had not previously been approved by the Budget Committee. These would now be reviewed.

Article 4, Town Hall

Town Administrator Michael Magnant addressed this article. He stated that it was a result of the Space Needs Committee's work and will also considered the work of AG Architects.

Editor's note: 2012 Warrant Article 10, which would have provided \$135,000 to advance the design of an addition to the Town Hall failed by a margin of 484-830. AG Architects had been hired the prior year, and came up with a space requirement of 15,090 sq. ft. compared to 6,168 sq. ft. for the existing Town Hall building, excluding the attic and belfry. The approximately 9,000 sq. ft. of additional space was to be provided by a two story brick structure attached to the rear of the existing white clapboard Town Hall. 2012 Article 27 passed by a 1070-268 margin. That article requires a comprehensive evaluation of options to meet the Town's space needs, including the Town Hall, the Public Safety Building, Rye Recreation facilities, the Recycling Center and the Old Police Station; and also required a comparison between Rye's needs and the square footage per employee of other U.S. towns. In response, the Board of Selectmen formed the Space Needs Committee which evaluated a number of options and arrived at a space

need of 10,500 sq. ft., plus or minus 10 percent, a substantial reduction from AG's 15,090 sq. ft. The Committee's draft report also encourages further investigation of the use of the Old Police Station for storage and/or additional office space.

Mr. Magnant continued, stating that two schematic designs were provided for in the warrant article, because of concerns relating to the appearance of a large addition to the Town Hall. There is also a reference to a Facilities Master Plan and use of the Old Police Station.

At this point, Budget Committee member Ned Paul arrived.

Mr. Goldman stated that Mr. Paul was Chairman of the Space Needs Committee, and that he, Mike Magnant and Cindy Gillespie were members. Mr. Goldman also referred to 2012 Warrant Article 10 for \$130,000. *Editor's note: The Budget Committee continued to repeat this incorrect figure. It had actually approved \$135,000 for the 2012 warrant article.* Mr. Goldman stated that there had been a lot of concern, and citizens were surprised that the Town seemed to be proceeding with a final design. For him, understanding the concerns of the Town residents, the legal and government requirements, and most importantly, ensuring that the Town employees have proper work spaces were the most important issues.

Ms. Balboni interjected that there had been a petitioned warrant article on the Town Hall issue as well.

Mr. Paul then asked how the Town determined that \$60,000 was the right number. Mr. Magnant responded that the figure came from Selectman Musselman after consultation with other engineers. Mr. Paul asked whether this took into account input from the Rye Concerned Citizens. Mr. Magnant responded that Selectman Musselman had worked with Victor Azzi. Mr. Paul responded that he trusted both people.

Mr. Magnant continued, stating that the Rye Heritage Commission had concerns about an addition overwhelming the existing structure. That is why two options are presented in the warrant article. *Editor's note: The two options provided for in the warrant article are an addition of a maximum of 1/3 of the length of the building in an easterly (i.e. in line with the roof peak) direction, and an additional separate building on the same site.*

Shawn Crapo asked what the \$130,000 was for. Mr. Drake cut him off, asking what the relevance was of the \$130,000.

Mr. Magnant continued stating that 2013 Warrant Article 4 would provide for a further look at needs, including the possibility of using the Old Police Station for the Recreation Department. There might be 10,000 sq. ft. if an addition is made off of the back, or there might be a separate building.

Shawn Crapo asked how it will be known if the additional space can be provided on the land.

Mr. Magnant responded that the \$130,000 had included test pits, while the \$60,000 does not. However, Selectman Musselman had looked at the geothermal well data. *Editor's note: During 2012, the Town installed a geothermal heating and cooling system at the Town Hall. This required the drilling of a number of fairly deep wells adjacent to the Town Hall building.*

Mr. Crapo asked what would happen if it was discovered that additional facilities could not be constructed on the site.

Mr. Drake stated that the consensus was that people wanted this site as the center of activities for the town. This is a step back after a sense that the project was proceeding too quickly and with too narrow of a focus. This is a specific warrant article with a reference to a maximum addition of one third the length. He loves the reference to the Trolley Barn in lieu of the Old Police Station. That elevates the status of the Old Police Station. This warrant article is full of specifics that were lacking in the prior warrant article. If the Town wants to do this it needs to get going. If they run into ledge that's tough. Then it will be time to bring out the jackhammers. *Editor's note: Mr. Drake did not use that term, but made a noise and motion indicating that that was what he meant.*

Randy Crapo stated that the warrant article was specific on the staircases, but it says nothing about handicapped access. Mr. Goldman responded that the Space Needs Committee report was very concerned with that as well as electrical issues. Mr. Drake interjected that he did not believe that a building could be built without satisfying these requirements. Randy Crapo stated that this puts the issue off for another year. In the meantime, anyone can demand handicapped access. Mr. Magnant stated that the RFP would include things like the ADA. He stated that he had spoken with people in Wolfboro. A warrant article to provide such access there had failed, but they are having to spend several hundred thousand dollars to provide access. He doesn't know if what the Town of Rye is proposing would give it a stay. *Editor's note: During the AG Architects presentations in late 2011 and early 2012 relating to Town Hall, there were discussions regarding Wolfboro, and AG Architects was familiar with that facility.*

Mr. Drake made a motion to approve Warrant Article 4, which carried unanimously.

Article 6, Goss Farm Barn

Tracy Degnan and Sally King stated that they would address this warrant article. *Editor's note: Sally King is a member of the Rye Conservation Commission.* Ms. King stated that the warrant article is for \$170,000 even though the projected expenditure is \$130,000. The difference is for contingencies. For example, the roof turned out to cost \$40,000, though it was planned to cost \$20,000. They don't want to get part way into the project and find that they do not have enough.

Jim Raynes Chairman of the Conservation Commission interjected that the budget did not include wiring or a sink for farmers to wash fruit. Also RCS would be constructing a culvert under the road which would prevent the land under the barn from being "mucky" due to improper drainage.

Randy Crapo asked what the projected number of individuals using the barn would be. Ms. King responded that a picnic area exists now. There is also a community garden with 14 plots. In addition the fourth and sixth grade classes have plots. They are looking for a farmer to farm around 2 acres. A barn would be needed to have a working entity. Ms. Degnan added that the barn is listed on the state register. Some donations and grants have been obtained, including \$10,000 for phase two, however funding has been difficult to obtain.

Mr. Meheras asked about the benefit to the Town. Ms. Degnan referred to workshops.

A question arose as to fees. Ms. Degnan responded that gardeners are charged a fee to cover the cost of water.

Selectman Mills asked whether federal money had been obtained, whether use of the Goss Farm was limited to residents, and whether that could legally be done if federal money had been accepted.

Mr. Raynes responded that \$730,000 in federal money had been obtained for purchase of the farm. Mr. Drake interjected that limiting the facility to Rye residents only would be possible unless the Town got caught.

A question arose as to why the Board of Selectmen had recommended the warrant article. Selectman Mills spoke about the monetary investment already made and the inadvisability of stopping the project and throwing that money away. Ms. King interjected that the barn was now on the State Registry of Historic Places. The project cannot be picked apart now.

Mr. Goldman asked what would happen once the barn was completed. How would the upkeep and operation be funded. Would it be self sustaining? Ms. King responded that that was the goal.

Ned Paul noted the large amount of money involved and suggested that a smaller number might have a better chance of success.

Mr. Meheras asked about the impact on the tax rate. Ms. Gillespie responded that each \$1.7 million in expenditure would raise the tax rate \$1.00. Thus it would be about \$.10. She explained that this is a General Fund warrant article. The money would not go away at the end of 2014.

Shawn Crapo asked what would happen after December 31, 2014 when the ability to use the funds would expire. What if additional work was needed? Would a new warrant article be required or could the Board of Selectmen be petitioned to extend the ability to use funds?

Selectman Mills responded that, if there was a signed contract, the funds could be encumbered. He continued, referring to the 10 cent increase in the tax rate. He stated that Jim Raynes wouldn't give you 10 cents for a cup of coffee.

Mr. Drake stated that this could turn out to be Jamestown or Plymouth Rock. He believes that it will be the latter. He's under no illusions with regard to vegetable gardening. Kids don't get a kick out of weeding. It would be great if the output of the farm could be exported to Colorado, but Kevin is here. That would generate a high cash return. Laughter ensued. *Editor's note: This is an apparent reference to a 2012 initiative in Colorado, legalizing Marijuana, with certain restrictions. Kevin Walsh is Police Chief.*

Mr. Drake continued. There is a trend to sustainable agriculture. There are dozens of restaurants on the seacoast that seek out fresh produce. He believes that this is a good project. It speaks well for the Town. The federal government stepped in and provided some Chinese dollars. The project has supporters working to make this happen. Let's see what they do with the project.

Mr. Drake made a motion to recommend the warrant article.

Shawn Crapo asked whether the project was too small to issue bonded debt. Mr. Goldman responded that it was.

Mr. Goldman continued, stating that he tends to agree with Mr. Drake. This has the potential to be a really good thing. His concern is how to get a visible campaign.

Selectman Mills noted that the amount could be amended down at the deliberative session.

Mr. Meheras stated that so much effort had been put into this so far, and that the project needed to go forward.

Ms Balboni stated that numerous groups from the schools are using the farm. The kids are planting pumpkins.

Shawn Crapo stated that there was a PR issue. There is a lot of misinformation. People are talking about the roof costing \$170,000.

The motion to recommend the warrant article carried unanimously, Randy Crapo abstaining.

A motion to close the work session carried unanimously.

Public discussion on warrant articles

Mr. Goldman stated that the meeting would now be opened to the public. He would go through each article and ask for discussion. There may be questions from the public. He referred to a document which was a green spreadsheet. This is what is recommended for the general operating budget.

The Budget Committee has acted on and voted to recommend each article, he said.

Mr. Goldman asked about Article 4, the Town Hall. There was no discussion.

Mr. Goldman asked about Article 5, \$9800 for the Old Police Station. He stated that the Space Needs Committee had made this recommendation based on public interaction. This is due diligence before redoing the Town Hall. The Old Police Station could help there. Mr. Drake asked about a redundancy between articles 4 and 5, but then stated that he understood what was intended. *Editor's note: Article 4 refers to Article 5 and the former police station, but is conditioned on the approval of Article 5 with respect to that portion.*

There was no discussion on Article 6, the Goss Farm Barn, just approved.

With respect to Article 10, \$100,000 for the Highway Equipment Capital Reserve Fund, Peter Crawford, a Town resident noted that, at the time that the Budget Committee had approved this article, it had been anticipated that there would be another warrant article this year to fund the purchase of a dump truck from this fund. However, the Board of Selectmen voted not to recommend that warrant article. He asked whether, given this, the \$100,000 was still an appropriate amount, and whether the reserve needed to be increased to accommodate the possibility that a truck might need to be replaced this year on an emergency basis.

Selectman Mills raised his voice and asked Mr. Crawford whether he wanted to eliminate this funding. Mr. Crawford responded that he was not taking a position, but that he was simply posing a question.

Dennis McCarthy responded that there was \$176,000 currently in the reserve. Mr. Goldman noted that the article had come about due to analysis. Mr. McCarthy continued, stating that there was potential to slide the truck into the next year, but the money still needed to be put aside. Ms. Gillespie stated that \$65,000 had been spent from the reserve this year for a truck. Randy Crapo asked whether there was any specific equipment associated with the \$100,000. Shawn Crapo asked where this was in relation

to the CIP plan. *Editor's note: The 2013-2018 CIP Plan provides for replacement of truck 106, a 1998 International six wheel dump truck with 30,035 miles on it in 2013. The projected cost is \$135,000, which includes the dump body, plows, frames and spreader. The warrant article rejected by the Board of Selectmen was apparently for this truck replacement.* Selectman Mills responded that the truck has 50,000 miles on it and is used 6 months out of the year. The Board of Selectmen just did not feel that it was necessary to purchase a new truck this year.

Mr. Paul stated that there is \$1 million in highway assets. The reserve is not properly funded. If the Town keeps draining the fund it will be behind the eight ball. He supports the \$100,000.

Steven Borne, a Town resident asked whether \$100,000 per year was the right amount. Mr. Paul responded that this is catchup. Under Bud Jordan, money was never put aside. *Editor's note: Bud Jordan is the former Public Works Director.* Mr. Paul stated that he believes that this is the second or third year of funding, however the reserve is still underfunded. If a truck goes bad the fund would be drained. Mr. Borne indicated that the purpose of this large capital reserve fund could and should be clearly communicated to the taxpayers.

Mr. Goldman moved on to Article 8, which provides \$25,000 for municipal records retention study. Mr. Paul stated that this would possibly permit space savings by replacing paper records with electronic ones where this can be done.

Mr. Goldman stated that he had misspoken with regard to Article 9, providing for video streaming, at the School Budget Hearing. In fact, this Warrant Article had already been approved by the Budget Committee, he acknowledged. *Editor's note: At the School Budget Hearing the prior evening, none of the Budget Committee members noted that they had already conducted their due diligence and had already approved this warrant article.* Mr. Goldman continued, stating that he had spoken with Mr. Magnant earlier. There was some work done in getting quotes for Town Hall implementation. Mr. Magnant interjected that the streaming was to provided in the Town Hall Courtroom. Mr. Goldman continued, stating that the school situation is different. In the cafeteria there are difficult issues with audio quality and microphone locations. He explained that this was why the Budget Committee had approved the warrant article for Town Hall meetings, but not for School Board meetings. Randy Crapo interjected that the school warrant article also had a completion date.

Public discussion on Article 10, overall budget

Mr. Goldman stated that the operating budget in this warrant article was \$8,680,627, with a default budget of \$8,380,347.

Peter Crawford then spoke. He stated that while this budget reflects a fairly small increase over the prior year, that comparison is misleading. *Editor's note: The 2012 operating budget was \$8,583,264, with an additional \$265,000 for approved warrant articles.* In 2012, the last payment of \$220,000 was made on a sewer bond. Thus, before increases, the 2013 budget was going to be down significantly. In fact, the budget, with warrant articles, is up approximately \$200,000. *Editor's note: Including \$368,800 in recommended warrant articles, the 2013 budget is \$9,049,427, compared to a total of \$8,848,264 for the 2012 budget, including approved warrant articles.* Thus, on an apples

to apples basis, this budget is actually up approximately \$420,000 relative to last year's budget, adjusted for the sewer bond maturity. That amounts to about a five percent increase on an \$8 million budget.

Mr. Crawford noted that the Rye tax rate was up over 60 cents in each of the last two years on a base of about \$10.00. That amounts to approximately 6 percent annually. In addition, residents near Jenness Beach have seen their assessments rise significantly. Taxpayers are getting upset.

Mr. Crawford asked the Budget Committee why it thought that a five percent increase was appropriate.

Mr. Drake responded that the General Fund was up 1.73 percent. *Editor's note: This figure appears on the green spreadsheet referred to by Mr. Goldman earlier, and reflects an increase from \$7,887,813 for the 2012 budget General Fund and \$8,024,541 for the recommended 2013 budget General Fund. The General Fund excludes the Sewer Fund and the revolving funds for Outside Details, Beach Parking, Recreation, and Beach Cleaning, as well as warrant articles. In theory the revolving funds should be self-funding with offsetting revenues, but that is not necessarily always the case. Revolving funds are also allowed to retain surpluses from year to year, but these accumulations have generally been small.*

A discussion ensued as to the source of the \$220,000 figure. Mr. Crawford referred to account 4711-67, the Debt Service-Principal part of the General Fund, and its reduction from \$974,313 to \$901,293. That reflects a reduction of 40 percent of the \$220,000, or \$88,000 plus some minor additions, he said. The other 60 percent of the \$220,000, or \$132,000, appears in account 4711-90, Sewer Debt Service Principal which is reduced from \$132,000 in 2012 to zero in 2013. Ms. Gillespie implied that it was unfair to include the portion in the Sewer Fund, as those costs are borne by the Sewer Department customers. Mr. Crawford stated that that was a fair point, and that the increase was perhaps not as bad as he had earlier indicated.

Editor's note: In retrospect, it appears that Mr. Crawford was in fact correct with regard to the impact on the tax rate. This issue is in the process of being reviewed by the Town's Finance Director. The taxes are based upon the total operating budget plus any warrant articles approved. That includes expenditures from the Sewer Fund. When taxes are set, the projected revenues are deducted from the operating budget plus approved warrant articles. However, the Sewer Department revenues for 2013 will be reduced by \$132,000 as 60 percent of the savings in sewer debt principal repayments will be passed along to the sewer customers, or to the State government, which had been providing a partial subsidy for sewer debt service payments. Thus, if the budget and all warrant articles are approved, taxes will increase by \$333,163, all other things being equal: the \$201,163 increase in the Grand Total on the spreadsheet passed out, plus the \$132,000 in lost revenues. However, if all expenditures remained the same in 2013 relative to 2012, with the sole adjustment being for the sewer bond maturity, taxes would have been reduced by \$88,000. The \$220,000 in savings from elimination of the sewer bond principal repayment will benefit sewer customers by \$132,000 and taxpayers by the remaining \$88,000. Thus, the impact of the 2013 budget, after adjusting for the sewer bond, is \$333,163 plus \$88,000, or \$421,163. Based on the Town's assessed valuation of \$1.753 billion, 2013 would have seen a reduction in the tax rate of \$.05. However, if the

proposed budget and all warrant articles are approved by voters, the Town portion of the tax rate will rise by \$.19, all other things being equal.

One of the members of the Budget Committee noted that the budget was up due to increases in medical and pension costs. Mr. Crawford responded that, actually, the medical costs would be down due to the excellent job that Cindy Gillespie has done revising the arrangements. Ms. Gillespie stated that medical costs would be down approximately \$70,000 as a result of this. Mr. Crawford continued, stating that the police retirement budget is up from \$139,000 to \$169,000 and the fire retirement budget is up from \$149,000 to \$170,000. These increases are particularly significant as the State has withdrawn support and now there is 25 percent on top of wages for Police and Fire retirement. The retirement costs for other Town employees are not nearly as high, Mr. Crawford said. Ms. Gillespie stated that the rate for these employees is 11 percent. Mr. Crawford stated that the total increase in retirement costs is probably around \$100,000.

The discussion then turned to how much of a surplus would remain in 2012 to reduce the tax rate in 2013. Mr. Crawford noted that the 2012 budget with warrant articles was \$8,848,264 while the "2012 YTD" figure was \$8,382,495, which would indicate a surplus of approximately \$500,000. Steven Borne, stated that, in 2012, \$651,503 was applied to reduce the tax rate. Ms. Gillespie stated that, while the "2012 YTD" figure included December, not all costs were in yet, so the surplus would actually be lower. Mr. Crawford asked whether \$300,000 was a reasonable assumption. Ms. Gillespie stated that it could be, but that the surplus arising out of revenues would also need to be considered. Mr. Crawford asked whether \$200,000 would be a reasonable figure for that. Ms. Gillespie acknowledged that it could be. *Editor's note: This would lead to a surplus in 2012 of approximately \$500,000, compared to \$651,503 of the 2011 surplus used to reduce the 2012 tax rate.*

Steven Borne stated that he had started to perform an analysis. All of the departments except General Government are up substantially. Police is up 6.8 percent, Fire is up 8.1 percent, Public Works is up 5.5 percent.

Several persons on the Budget Committee then began accusing Mr. Borne and Mr. Crawford of wasting the Committee's time by asking questions that could have been asked at earlier sessions and failing to ask the Department heads themselves for information. These members included Shawn Crapo, Paul Goldman and Frank Drake.

After several minutes of this, Town Moderator Bob Eaton, who was in the audience, stated that one of the purposes of the hearing, according to the statute, was to provide an opportunity for people to ask questions. While he takes no position on the appropriateness of the questions, Mr. Crawford and Mr. Borne have the right to ask questions.

Mr. Goldman responded by stating that, in numerous meetings there have been obstructions. Things could have been asked in different ways.

Shawn Crapo stated that the general purpose was to arrive at an overall figure. Now there are being required to go back into the detailed line items. This was already done in an all-day meeting in October.

Ned Paul provided several explanations as to why the police and fire budgets were up, including the outfitting of a cruiser with all new equipment. Steven Borne thanked Mr. Paul, stating that that sort of analysis was what he was looking for. That was very helpful, Mr. Borne said.

Selectmen Mills then spoke, indicating that he objected to Mr. Eaton's statement. Mr. Crawford has been in Town 3 years. He moved here because the taxes are low. Now he is nit picking and agitating.

Mr. Drake stated that persons from the public could have started with 6-10 questions, which could easily have been dealt with. Instead there is rambling about \$200,000 to \$300,000 discrepancies and general nit picking blather. He accused Mr. Borne of asking questions to which he already knew the answers. Mr. Borne responded that, if he had known the answer he would not have asked the question.

Mr. Drake continued. This may be chuckles for the civic group, but their attitudes are not respected by this group. They will be disappointed about the quality of the volunteers that they can get for town positions if people have to be subjected to this.

Shawn Crapo stated that people move to town and try to change it. They are trying to fix a process that is not broken.

Ms. Gillespie commented about how lean the Town was. It was difficult when they had to come up with another \$65,000 to cover an unexpected cost.

Mr. Magnant spoke to commend the employees for accepting the change to the health care. They all recognize that the retirement costs are going up. *Editor's note: The change in process is that the Town will obtain insurance with a higher deductible, but employees will continue to see the lower deductible that historically has been in place. The Town will reimburse employees for any higher costs that they incur because the insurance company will not make payments until the higher deductible is reached.*

Conclusion of meeting

Mr. Goldman made some closing comments relating to Article 10, the budget. They worked with Cindy, the Selectmen and the Department Heads. He knows the process and its attention to cost and detail. It is zero based every year. Personally, he feels good about the process and the results.