

Town of Farmington  
Budget Committee Meeting Minutes  
Wednesday, December 27, 2017

**Committee Members Present:**

Sylvia Arcouette, Chairman  
Elizabeth Johnson, Secretary  
Neil Johnson, Selectmen's Rep.  
Angie Cardinal, School Board Rep.  
Tim Brown  
Jason Lauze (7:05 p.m.)  
Heidi Mitchell  
Michelle Elbert  
Sam Cataldo  
Stephen Henry

**Committee Members Absent:**

Jodi Connolly, Vice Chairman

**Others Present:**

Town Administrator Arthur Capello

**1). Call to Order:**

Chairman Arcouette called the meeting to order at 7 p.m.

**2). Pledge of Allegiance:**

All present stood for the Pledge of Allegiance.

**3). Public Comment:** None.

**4). Review of Minutes:**

November 15, 2017- No errors or omissions.

**Motion:** (N. Johnson, second E. Johnson) to approve the minutes as written passed 8-0-1(Henry abstained).

**5). Review Town Reports:**

**A). Remittance Report** – No questions or comments.

**B). Actual & Budgeted Expenses & Encumbrances – General Fund**

**Page 8, Line 01-4316-30-410 Street Lighting-** Mrs. Cardinal said it looks like the current expenditure far exceeded the current year budget so the YTD expenditure is 150% of what was budgeted. She asked Mr. Capello if that was a surprise to him.

Mr. Capello said it was not a surprise because the Town just came off of the conversion rate and they did not have a good sense of what the electricity would cost. He said the town had a fixed rate system and when they converted over to the new system they paid the same fixed rate to cover the conversion costs. Last year the payment was less so we didn't have a true sense of what the electricity cost would be he said.

He said they also made a conscious effort to eliminate some of the lights that aren't there so

we aren't being billed for them anymore and replacing some fixtures that are broken. The conversion to LED street lights begins mid-January and said he is waiting to hear from the company as to the percentage of savings is expected.

Mr. Johnson asked if the conversion cost (\$46,000) came out of this line.

Mr. Capello the cost came from this line and was the biggest increase to this budget. He said the Town will get a \$19,100 rebate from Eversource for converting to the LED lights.

Mr. Henry asked if the conversion has already been paid for.

Mr. Capello said it has already been paid.

Mr. Henry asked if the previous conversion was financed over a 5 year period.

Mr. Capello said he thought that it was about 5 years ago but that was before he became Town Administrator and he would need to research the cost information.

Mrs. Cardinal asked if the decision to convert the streetlights was made during the current year and the reason why the conversion was not budgeted for.

Mr. Capello said the Board of Selectmen made the decision and signed the contract this year.

Mrs. Cardinal asked if this was something that could have been forecasted.

Mr. Capello said they went through the process of finding a vendor to do the conversion about 3 or 4 months ago. He said the Town will have the same type of lights currently installed in Rochester.

Mr. Johnson asked if the \$46,000 cost listed on this line includes the hardware, installation and a warranty.

Mr. Capello said it does and also includes disposal of the halogen light bulbs (hazardous waste).

Mr. Henry asked how many street lights the town has.

Mr. Capello said the town has 193 street lights.

Mrs. Cardinal then asked the intended use of the \$31,000 that was budgeted in this line.

Mr. Capello said the money was budgeted for the electricity cost for the street lights.

Mrs. Cardinal asked if this line is used for the utility expenses and any enhancements that are done.

Mr. Capello said that is the way he booked it because the project deals with street lighting and he felt that would be a true representation of the purpose of these funds.

Mr. Johnson said the conversion should also eliminate the repair costs to street lights in upcoming years. He noted that \$750 is not much of an offset but it is still some savings.

Mr. Capello said he put \$1 placeholder in the Repair Street Lights line for the 2018 budget.

Mr. Lauze asked if the cost to operate the LED lights will be significantly less than the halogen lights.

Mr. Capello said it would cost less to operate the lights and he waiting to hear back from the company on the percentage to be saved. He said he would then cut the proposed budget line to something close to that number.

Mr. Johnson estimated there could be a 75% savings in the cost of electricity with the new

lights.

Mr. Capello said the town could also expect some saving when some of the over sized lights are replaced with the correct size light for the intended use.

Mr. Henry asked if the town was charged a flat rate per light and at what point the energy cost would get factored into the cost per light.

Mr. Capello said that is correct and the cost would be factored in now because the conversion is complete.

Mr. Johnson said there is a different rate schedule for LED lighting. Once the conversion starts in January the lights will be migrated over to the new rate he said.

Mr. Henry asked why the Town was waiting to get the cost if the LED rate already exists.

Mr. Capello said he would call Eversource and get rate information from them.

Mr. Johnson the cost also depends on the size of the bulb and the LED rating of the bulbs.

Mr. Henry suggested the Town should know all of that information from the vendor's proposal.

Mr. Capello said the lights are not all the same size and it would be easier for the vendor to plug the information into the software program instead of him having to calculate each individual light.

Mr. Johnson said the lights will have different shades of cool or warmer light as well.

Mr. Brown asked about the bottom line for the total budget.

Mr. Capello said he is anticipating that between \$175,000 and \$200,000 should be left in the budget depending on the weather during the last few weeks of the budget year.

Mrs. Cardinal asked how someone could know that based on looking at the budget report.

Mr. Capello said someone could figure it out by looking at the bottom line reports and tracking the county, school and encumbrances.

Mrs. Cardinal said it looks like the budget is currently 125% over spent.

Mr. Capello said that is a false number because within that number is the amount paid for county taxes, school taxes and encumbrances from last year. He said he could get a weekly run down of what they anticipate having at the end of the year from the Financial Administrator.

Mrs. Cardinal suggested a simple improvement to the Town's budget planning would be to include the projection for the taxes to be paid to the county, school taxes and the projected income from tax revenue. She said the Town always projects zero budgeted for property tax warrants.

Mr. Capello said a number is never put there because the property tax to be raised is based on the revenue collected and that number is unknown.

Mrs. Cardinal said they know what the number is once the tax bills have been sent out. You just add them up and that is how much the Town expects to receive she said.

Mr. Capello said that is true but the process is a little more complicated than that. He said next year's run report will include last year's tax revenue. The tax revenue does not go onto the budget sheet because you never know what it is going to be. It could be up or down depending

on who pays their taxes and is not a solid number he said.

Mrs. Cardinal asked if the Town is run by not knowing what money is going to come in.

Mr. Brown said that is the way every town is run.

Mr. Henry said some of the revenue is for vehicle registrations which can be estimated but the number of vehicles that will be bought or sold is unknown.

Mrs. Cardinal said you build a budget by forecasting it based on historical revenue or any change where funds are lost.

Mr. Capello said that the forecast for revenue determines what you will get for tax revenue.

Mrs. Cardinal agreed but said the Town always puts a zero in that line.

Mr. Capello said he can't anticipate what the Town will get for tax revenue. He said the forecasted revenue changes such as when he forecasted receiving \$25,000 for sale of town property and they actually received \$95,000.

Mrs. Cardinal asked if every town in the state budgets this way.

Mr. Capello said every town has to do it this way by state statute and suggested she call NH Dept. of Revenue and they will tell her the same thing.

Mrs. Cardinal said they know how much the school district is planning to get because it is set with the vote in March.

Mr. Brown said the School District does not collect property taxes.

Mrs. Cardinal asked why the School District wouldn't then put a zero in their anticipated tax revenue line. She said a big reason why the Town bottom line is so far off is because there are zeros budgeted in several lines.

Mr. Capello said he can't tell what the School District will get next year because the tax rate hasn't been set. The first 6 months tax rate is an estimate and in Nov-Dec when the tax rate is set that is when we will know what we will get for revenue and then the School District sends us the school warrant he said.

Mrs. Cardinal said they have known since March what the school district will need to come from local tax dollars and asked why a zero is put in the line which totally messes up the report.

Mr. Capello said there is a line at the bottom of the report for county and school taxes.

Mrs. Cardinal said the tax rate is a calculation divided by the valuation of the town. The tax rate has nothing to do with how much money the school needs from local taxation she said.

Mr. Capello said that it does because you use the valuation of the town to figure out how much revenue you are getting but you use the utilities valuation and we don't use the utilities valuation.

Mrs. Cardinal said they use expenses minus income to build the budget. She added if they close this loop they could help the Town with their reporting and said she would follow up with more information.

Mr. Henry said the budget will still be off because of the county and said he did not know if the county budget is budgeted ahead of time.

Mr. Henry suggested the school knows what its budget will be in March but it just doesn't know how it will fund the budget.

Mrs. Cardinal suggested the confusion may be coming from projecting for next year and what is being used for the ensuing school year. She offered to obtain the information from the SAU staff and use it to help improve the reporting by giving the town a number they can use as a budgeting number.

Mr. Henry said that at the end of the school year he can look at the last line of the budget and get an idea of where they are in the budget.

Mr. Capello said the school does not collect their own taxes or the county taxes.

Mr. Brown said the revenue has the potential to change right up until Dec. 31. He said if he registered a car the next day that the Town wasn't expecting him to register that will increase or decrease that line.

#### **C). Actual & Budgeted Expenses & Encumbrance- Parks & Recreation**

Mr. Henry noted there was about 33% of the Rec. Dept. budget left.

Mr. Capello said this is reason why in next year's budget they moved some of expenses to the Rec. revolving fund. He said the ultimate goal was to make the Rec. Dept. as self-sufficient as possible and the Director has done a tremendous job dealing with the fund. About \$15,000 was moved back into Rec. revolving fund this year he said.

Mr. Johnson said there are some expenses that were being charged to the Town over the years that have been reclassified to be withdrawn out of the revolving fund. The Director spent so much time working on activities that put money into the revolving fund that part of his salary will now come out of the revolving fund he said.

Mr. Capello added that It doesn't affect the tax rate as it is essentially a user fee.

He said that said last year the Worker's Comp line was moved to the revolving fund because all of the summer help was paid out of the budget but the summer programs are included in the Rec. revolving fund.

Mr. Henry asked if the fund can support the changes.

Mr. Capello said that the fund can support the change.

Mr. Henry asked if the revolving fund built up a giant surplus because so much was coming out of the operating budget.

Mr. Capello said it was not a giant surplus but it was a surplus. He said the fund was in the negative and Mr. Conway has built it up to where it supports the programs and has a surplus.

Mr. Henry asked for a ballpark figure as to the total in the revolving account.

Mr. Capello said there is approx. \$35,000 in that account.

#### **D). Actual & Anticipated Revenues- General Fund**

Mrs. Arcouette asked how the Fire Dept. is doing in collecting their ambulance fees.

Mr. Capello said the collections have increased to about 70% collected and that the Fire Chief said there has been a change in policies so when a bill goes to third party collection there is

more information to attempt to collect it. He said they are also switching billing companies next year which should realize an additional 5% increase in revenue.

**6). Review School Reports:**

**A). All Funds- Revenue Report-** no questions.

**B). YTD Expenditure Report- Grants Special Revenues Funds-** no questions

**C). YTD Expenditure Report- General Fund -**

Mrs. Cardinal said there were some line to line transfers in this budget. She said they received the first billing for \$18,000 to cover the School Resource Officer's salary. Now that the town's grant has been approved they project to spend a total of \$42,000 for the school year and the Town expect that amount back as revenue at the end of the fiscal year.

Mr. Henry asked if the Town or the School District receives the grant.

Mrs. Cardinal said they both do.

Mr. Johnson said the Town gets the grant initially and they assign 80% of the grant to what they would charge the school for the Officer to offset the charge and the Town assumes the remaining 20% of the cost for the officer. It is a gradually changing amount where the Town charges 75% of the bill the first year and then 80% of the grant gets credited to the school and the Town assumes 20% of the balance. The following year the charge is 50% of the cost for the officer he said.

Mrs. Cardinal said the School Board fully funded the amount in the event the town did not receive the grant.

Mr. Johnson said they did not expect to receive the grant and Farmington was one of only 3 communities in the state to receive the grant.

Mr. Henry asked why Farmington got the grant.

Mrs. Cardinal said she did not know the requirements the grant.

Mr. Johnson said the Police Chief and the Superintendent were able to come with the justifications for the grant.

Ms. Mitchell asked how often the Town has to apply for the grant.

Mr. Johnson said the Town must apply every 3 years for the grant.

**7). Old Business:**

**A). Motion to Contact DRA-** Mr. Brown said at the previous meeting there was a motion to contact the Dept. of Revenue Administration on the school year end expenditures and line item transfers. He said he placed a phone call to them and was told that they will only intervene in an over expenditure of a bottom line budget. He said he never followed up by e-mail because the School Board was within their budget. To do a line item transfer by statute you need a change in the budget that would cause moving money to one line from another line and a need without over spending the bottom line budget. If there is a change to be made it can be corrected through the auditing process or if someone felt the need to challenge it there is a

process to challenge it he said.

Mrs. Cardinal said Mr. Brown previously cited RSA 32:10, Transfer of Appropriations so she read through it to help educate the rest of the School Board and the clause he was speaking about was RSA 32:10 (b) where it cites the authority to dispute or challenge the discretion of the governing body.

She read aloud RSA 32:10 (c) which says a statement comparing all legislative body appropriations against all expenditures shall be deemed adequate for purposes of the records required under paragraph b so long as every expenditure has been properly authorized and properly classified and any expenditures entered into that exceed the original appropriations are offset by unexpended balances remaining in the appropriations.

Mrs. Cardinal said the fact that they conduct a monthly review of the expenditures and that the Superintendent provided a summary of the specific 4 items in question showing which line it came from and which line it went to was above and beyond what was required by law.

Mr. Brown said the section she read says the Selectmen or School Board doesn't have to vote to take money out of a line item and put it into another line item. You can have an overage and an underage as long as it doesn't exceed the bottom line budget. But the RSA also says that in order for a board to make a line item transfer of money there has to be a change in the budget and there has to be a need he said.

Mrs. Cardinal said Paragraph C says you don't have to do what it says in Paragraph B if you provide reports showing these line items.

Mr. Brown disagreed and said the next section says in order for your accounting system you don't have to physically move the money in your line items as long as you don't exceed the bottom line budget. He then said he is not an Attorney and that he got his answer from DRA.

Mrs. Arcouette said the state law is sometimes subject to different interpretations and asked the members to "leave it at that".

**B). Unanswered Questions-** Mr. Johnson said he previously submitted some questions that weren't answered during the School District budget presentation at the previous meeting. He then asked the following questions:

What is the amount of the new FAMEE grant?

Who is the fiscal agent for the grant?

Is 100% of the cost of FAMEE covered by the grant money?

Mrs. Cardinal said she believed the questions were answered during the presentation. She said the grant has not been awarded yet so they don't know what the amount will be.

Mr. Johnson asked if there was no FAMEE program this year.

Mrs. Cardinal said there is a FAMEE program this year and thought his question was regarding the new grant. She said she will provide an answer as soon as the district has been informed about the new grant.

Mr. Johnson asked if the school budget presented at the presentation contained any FAMEE

costs.

Mrs. Cardinal said there are no FAMEE costs in the budget because the budget presented was the operating budget and general fund requirements. She said FAMEE is intended to be self contained within its grant.

Mrs. Arcouette asked FAMEE's grant pays 100% of FAMEE's cost.

Mrs. Cardinal said in the current school year it is.

Mr. Johnson said the all of the costs were not covered the previous year.

Mrs. Cardinal said the district did not exceed the grant amount the previous year.

Mr. Brown said the school board appropriated money for FAMEE that year.

Mr. Henry said when the district took over as fiscal agent for the grant that year the committee was told there would an impact on the general fund.

Mrs. Cardinal said the Bud Com was told there could be an impact and the School Board at the time decided they wanted FAMEE to continue and to take it on as a school program which meant there was no need for a fiscal agent. It also meant there were labor laws they needed to attend to which was done as a district. She said FAMEE expenses have not exceeded the grant to date. She they wanted to make sure they knew this could be a possibility and how the board would handle it.

Mr. Johnson said there was a discussion that as one entity for FAMEE and the school budget, the Paraprofessionals that worked after hours for FAMEE got paid out of that grant. However, the state had determined their hours were all coming from the same employer and those added hours would be added to their school hours making them eligible for full benefits.

Mrs. Cardinal said those Para's are not eligible for full benefits as they are now at 30 hours and all Para's are allowed up to 30 hours regardless of FAMEE is running or not.

Mr. Johnson said at that time the Para's were working 28 hours.

Mrs. Cardinal said they stayed within the 28 hour limit at that time.

Mr. Johnson asked if any of those Para's were pushed over to FAMEE so they would be eligible for benefits.

Mrs. Cardinal said that was the directive to the Director.

Mr. Johnson said that was not what the committee was told.

Mr. Henry said the first year the Para's took over the program they were still working 28 hours so they were not eligible for health care. The Para's that continued to work on after the FAMEE program exceeded the 30 hours would have to be covered for the insurance.

Mr. Henry recalled when the it was presented to the Bud Com the school would be taking that as part of the liability and it was acknowledged that could create an impact on the general fund for the insurance.

Mrs. Cardinal emphasized that it "could" create an impact.

Mr. Henry said that since then the Para hours have been increased to 30 so the insurance liability falls on the general fund whether FAMEE exists or not. He said the first year that was



not the case.

Mrs. Cardinal said she was trying to answer the question from the context of the school reports which is what was on the agenda for this meeting so she could give Mr. Johnson an actual number for his question. She said the insurance benefit won't be charged to FAMEE so he could not say that FAMEE program exceeded the cost of the grant.

Mr. Johnson said that originally the cost was not going to be charged to FAMEE and the school would take over the additional costs as part of their operating budget at the time.

Mr. Capello said he believed the cost was \$90,000.

Mr. Henry said he believed that figure was represented as the maximum cost to the school budget.

Mrs. Cardinal said that would be the case if every single Para were to butt up to those hours but she said knows for a fact that not all of the Para's work that many hours.

Mr. Henry asked if the Para's are included in the state retirement system.

Mrs. Cardinal said they are once they hit 28 hours worked.

Mr. Henry asked who pays the retirement costs for the additional hours the Para's work for FAMEE.

Mrs. Cardinal said the retirement portion cannot come out of the grant.

Mr. Henry asked if the general fund is paying those retirement costs.

Mrs. Cardinal said it is if they exceed the hours allowed. She said on page 9 of the Grants-Special Revenue Funds Report that last year's period shows the amounts for a stand-alone program and not just as a school program.

Mr. Johnson said that apparently retirement costs do come out of the grant.

Mrs. Cardinal said those costs could be related to the program director or other support staff and there is no way to identify who received those benefits in the report.

Mr. Henry asked about the \$49,000 salary listed as the first line (p.9, Line 219) of the grant.

Mrs. Cardinal said this represents the salary for the FAMEE Director.

Mr. Johnson noted the Director is a full time position.

Mr. Henry asked how many hours a day that FAMEE runs.

Mrs. Cardinal said the Director has to report in at noon.

Mr. Henry asked how many hours a day does the program run.

Mrs. Cardinal said she was not sure what time the program ends so she could not answer his question.

Mrs. Cardinal asked if the discussion of the FAMEE program could be placed on a future agenda so she could be better prepared to discuss it.

Mr. Johnson said she answered his questions.

Mrs. Cardinal asked if Mr. Johnson was asking how much of the FAMEE costs come out of the general budget versus the grant. She said if he looked at the report and compared the previous year's expenses to the current year it would give a rough idea of the expenses. She added that

this year's FAMEE enrollment is lower.

Mr. Johnson asked if the school has applied for a 21<sup>st</sup> Century grant for school year 2018-19.

Mrs. Cardinal said the application is in progress.

Mr. Johnson asked when they expect to learn if the district has been awarded the grant.

Mrs. Cardinal said she could not recall when they will learn if they will receive a grant.

Mrs. Cardinal said if FAMEE is placed on the agenda she would come prepared to speak about FAMEE specifics but was only prepared to speak about the fiscal reports for this meeting.

**Mr. Henry said he would like to know the total cost of the program and how much is offset by the grant.**

Mrs. Cardinal said she would provide answers to questions under the Old Business portion of the next meeting.

Mr. Henry asked for clarification that the district did not become ineligible for the grant because the school took the program over.

Mrs. Cardinal said the district is still eligible but the grant will not cover every single thing like retirement because the School District is now the employer and fiscal agent.

Mr. Henry said the Para's get retirement on the hours worked for FAMEE but the grant can't cover the retirement.

Mrs. Cardinal said they are not allowed to pay the state for retirement through the grant.

Mr. Henry said then there is some cost to the taxpayer for the program.

Mrs. Cardinal said she did not know if it is tax revenue that is used for it. It could be funded by some other revenue source she said.

Mrs. Arcouette said if it is being taken out of the operating budget that is tax revenue.

Mrs. Cardinal disagreed and said the revenue report shows the operating budget is \$14.6 million and local taxation is about \$7 million.

Mrs. Arcouette said if the retirement has to come out of the regular budget then it is not coming out of FAMEE money.

Mrs. Cardinal said it is not coming from the 21<sup>st</sup> Century grant but she did not know which revenues funded the retirement costs.

Mr. Henry said he did not want to get into a "shell game" where they were going to attribute it to this grant but now we're going to attribute it to another grant.

Mrs. Cardinal asked Mr. Henry what shell game.

Chairman Arcouette began hitting the table with her hands to get the members' attention while asking the members to stop the discussion.

She asked Mrs. Cardinal to provide the answers to the questions about the FAMEE grant at next month's meeting.

Mrs. Cardinal asked Chairman Arcouette if this was how she was going to run the meeting by banging on the table.

Mrs. Arcouette said no one shut up when I didn't bang on the table so I'll bang on the table and put my gavel down and that's the way it's going to be.

Mrs. Cardinal then left the meeting at 7:50 p.m.

Mr. Brown asked for the date for the School District budget Public Hearing.

Mrs. Arcouette said the public hearing is scheduled for Jan. 3 at 6 p.m. at the Municipal Office Building.

Mr. Brown suggested they ask the FAMEE questions to the SAU Superintendent Ruth Ellen Vaughn when she comes to the School District budget Public Hearing on Jan. 3.

**C). Mr. Johnson asked for the attrition rate for teachers for school year 2016-17 and for school year 2017-18.**

**8). New Business:** None

**9). Other Business:** Mr. Brown asked for a brief review about some of the process for the benefit of the new members. He said the School District Budget Public Hearing will be held on Jan. 3 and the public will be invited to speak.

Mrs. Arcouette said the committee should receive the School District warrant articles by Jan. 9, the proposed Town budget will be given to the Bud Com on Jan. 10, the Town budget will be publically presented to the Bud Com on Jan. 17, the regular monthly Bud Com meeting is Jan. 24, the School District Deliberative Session will be held on Sat., Feb. 3 at FHS gym at 9 a.m. and Town warrant articles will be provided to the Bud Com by Feb. 6.

Mr. Capello cautioned Mrs. Arcouette that if the Bud Com has any intention to raise any budget lines they have to notice it during the public hearing. You don't have to raise then but just notice that a line may increase otherwise you can only decrease the line he said.

Mr. Johnson said he was under the impression there could be no changes to the budget after the public hearing.

Mr. Capello said if they warn the potential increase at the public hearing and continue the hearing for another day they have already warned of the potential increase.

Mr. Henry asked if they could do a blanket notice that any line is subject to increase.

Mr. Capello said he did not know the answer to Mr. Henry's question.

Mr. Johnson said that typically after the public hearing closes the Bud Com discusses any potential changes to line items and vote on it that evening.

Mr. Brown asked for clarification if on the night of the school district budget public hearing that once the public comment closes that is when they will deliberate and make recommendations for increases and decreases to the budget and then continue the hearing if needed.

Mrs. Arcouette said that is correct.

Mr. Johnson once the budgets are presented to the Bud Com they become Bud Com budgets and they are the only ones who can change them outside of the Deliberative Session or Town Meeting.

Mr. Henry said he would like the numbers on FAMEE the night of the school district public hearing as the budget that goes to the deliberative session is the Bud Com's recommended budget.

Mr. Brown said it is also important for the public to be aware of the public hearings and to attend if they have any questions or concerns about the budgets.

**10). Next Meeting:** Public Hearing on the School District budget on Jan. 3 at 6 p.m. at the Municipal Office Building.

**11). First Night-** Mrs. Arcouette reminded viewers that Farmington will have its premiere First Night celebration Dec. 31 from 7 to 11 with a ball drop at midnight. Activities include street music, warming stations, musical performances at the Friends of Farmington, an art show, bon fire, baby photo contest and local restaurant discounts for participants wearing First Night buttons. The buttons cost \$5 each and a drawing will be held where one winner will receive half of the proceeds of the buttons.

**12). Adjournment:**

**Motion:** (E. Johnson, second Elbert) passed unanimously at 8 p.m.

Respectively submitted

Kathleen Magoon

Recording Secretary

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Sylvia Arcouette, Chairman

