



Selectmen's Meeting

Town Office

Wednesday, January 8, 2013

Present: Jed Brummer, Chair; Roberta Oeser, Selectman; Carlotta Lilback Pini, Town Administrator; Linda Stonehill, Administrative Assistant; Samuel Seppala, Selectman (arrived for the continued meeting)

### APPROVED MINUTES

9:00am Call to Order / Pledge of Allegiance

Selectman Roberta Oeser: You called the LGC with inaccurate and incomplete information and I called it on a procedural defect. Do we ram this 18-month budget down people's throats without the proper information given to them or not? And if there's a way to get out of it, then we should. And Sam didn't know this. Town Administrator Carlotta Pini: That's not what Sam said; he knew the implications. Roberta: Interesting, that's not what his email says. Selectman Jed Brummer: The idea of bringing the 18-month budget forward was to better manage the town's affairs.

Roberta: This is the first time I've heard that changing to an 18-month budget will cost the town more. Carlotta: Half of the town's portion of the budget will need to be raised. Roberta: Basically, \$1.3M is half the year's taxes. Carlotta: Sam had said that of course everyone knew that. Roberta: No, they didn't. I can't find enough benefit for the additional tax burden. We're an SB2 town. The other part that was never discussed was that because Jaffrey-Rindge has their election in March, it would be a bad idea for us to move our election date and have our school vote in March—what, 100 people would show up?

Accountant Ellen Smith: Right now, there's no warrant article to change our meeting date. Roberta: Correct, and that wipes out the benefit. We won't even know what the state will do this way—the state doesn't present their budget until after we've formalized our budget. Carlotta: But we won't have started spending the money. Roberta: Every time I tried to find a real advantage it gets wiped out by reality. Carlotta: We've talked to other towns and asked them what the advantages are, and they say that moving to a fiscal year has done several things. Right now, we're spending into June before we receive the first tax dollar. Mike couldn't buy his plow truck until we had the money. Cash flow is a major issue; and we need to know what the school and state will give or take away before we spend money. If the state cuts our rooms and meals tax, for instance, it's harder to absorb their cut over the remaining six months of our budget rather than having twelve to spread it out. Also, converting to a fiscal year has freed up their staff at year-end; at that time, we're trying to close out our books, issue the 1099's and W-2s, make sure that we have the reports for the BAC and BOS, and we're often waiting for overdue financials that are making the Annual Report late to the printer.

Jed: The other thing about the budgeting process is that we don't know what our expenses and revenues are going to be—whether registrations will go up and down and whether we'll collect less in taxes. Roberta: But that's not going to change, and the only way it will change is by changing the election date. So we're just talking about the fiscal year change and ramming it down the public's throats. Carlotta: I don't see it as a ramming; that's your perception. Roberta: Your attitude that the taxpayers don't have to know all the figures is incorrect. Any town may vote to require that anything having a tax impact shall contain a notation of its impact. Every ballot and warrant article has mentioned its tax impact in the Voters' Guide. Carlotta: Yes, since we became SB2. And there was no fiscal impact to the approval of the change in the fiscal year

Jed: At that time we didn't know what the financial impact would be because we hadn't done the 18-month budget. Carlotta: We couldn't have even done the revenue projections, so how would we know the impact? The impact has to do with the timing of the expenditures and revenues.

Carlotta: Non-tax revenues are half of the equation. Roberta: Would they be up to a million dollars? No. Is our non-tax revenue going to increase 300-\$400,000? We raised 72% of our budget from taxation last year. It would have been easy to tell people that next year it will require additional tax implications or a bond. Then people wouldn't have voted for it. The whole point is that last year's vote was to pursue changing the fiscal year. This wasn't a done deal; it was part of the process but that changed. The day the auditor said we are on a fiscal budget, I would have been scrambling to get out of it. Jed: When the auditor mentioned that, I think that was news to us.

Roberta: We can call a Town Meeting on a procedural error in time to revert this. It's up to this body to determine whether there was a procedural error. If we determine there was, we can call the town attorney. Jed: If we do that, we'd have to fund a 12-month budget and I think we have to get in touch with the DRA and that might be problematic. Roberta: The logistics are that we have to go forward with the 18-month budget as of this point. If we call the special Town Meeting, the first six months are done and the second six can be pulled out of the 12-month budget. Roberta: It's up to this board, not an attorney, to decide whether there's a procedural defect or if there was an irregularity in the way it was presented. We have to say "we're sorry, we didn't do the research and we didn't tell you that there were tax implications".

Jed: I think it's important to have Sam here. Roberta: this whole article was based on inaccurate information.

Carlotta: It wasn't inaccurate; it was incomplete. We met with the Peterborough officials. And the Selectmen went to the voters and asked do you want to change to an 18-month budget, and the voters said yes. Roberta: No, they said they wanted to change the fiscal year. Jed: All this was done with good intentions and the Budget Advisory Committee also recommended that we change our fiscal year. Roberta: Dave DuVernay said the BAC discussed it years ago and said the impact was too great. The ballot doesn't say change the fiscal year. Carlotta: The question says that to bring forward the 18-month budget is the second step. Roberta: The voters had no option. You said the default budget was going to be a 12-month budget. Carlotta: That's what Peterborough told us, and we had a call into the DRA to confirm that and they never confirmed it. We did our due diligence.

Carlotta: People know that the money must come from somewhere. Roberta: How do you think people on the street are supposed to know that 18-month budget is to be paid in 12 months? They voted yes because they didn't know that. Why would they assume that? Carlotta: Why would they assume otherwise? For anyone who knows how the tax rate is set, it's very simple and it's there in the Town Report. Jed: This will save the town money in the long-term. Roberta: My point is that we have an opportunity to let the voters vote on it with the knowledge that there are tax implications—that they are going to have to pay in 12 months for 18 months and that was never discussed.

Jed: What's in the best interests of the town? It might cost someone \$80/year if we have a five-year bond. Making this change could serve the town's best interest going forward. Roberta: I don't disagree. I think if the voters had the opportunity and the information in front of them they might still vote to change to the fiscal year. But we didn't give them that information in the Voters' Guide. Jed: There are always going to be some tax implications, but we couldn't have had that information for the 2012 Voter's Guide. Roberta: The Voters' Guide wouldn't give them enough information, but it at least could have told them that this would raise their taxes for a period of time.

Ellen: I think the first thing is not to say that the voters are not up to a level of understanding. If I don't understand something, I'm not going to vote for it, but 60% of Rindge voters voted "yes." They could have voted no or skipped the question. Second, all we're trying to do is swing Rindge town budget six months to align it with the state's and the school's. I understand what you're saying that perhaps spelling it out better would have been the right move, but there's not much we can do now. But if we move forward with the 18-month budget through a five-year bond, it will have an impact but it will be only a couple hundred dollars per taxpayer. When we do make the shift, we'll be in a better cash position to meet our obligations.

The property taxes we receive have to cover the taxes of the county and school as well as the town. The county's deadline is not flexible. To pay the county and the school first, we have to juggle our money around. But by shifting our cash flow, we won't have to worry about meeting those obligations because we'll have collected most of those

taxes by year end. I think in the long run, it's the right thing to do. Were people given enough information? Maybe not, but for the big picture it makes sense. Other towns we've contacted who've done this say the process is not fun, but once we get back to a 12-month cycle, we'll reap the benefits of making the right decision. I agree with what you're saying but I also agree with what Jed says that you have to look at this over a period of time, and it's the right thing to do.

Roberta: I understand all that, but I don't think the way it was done was proper, and there is an out. We can call a special Town Meeting, get the vote revisited, and then we can propose, like Peterborough, an 18-month budget with a 12-month default as a fallback. I think it was done improperly without the voters having the information about the financial impact. People are going to vote on anything in the warrant that doesn't cost them money. They really only care about the financial impact.

Ellen: This wasn't meant to steer people in the wrong direction; there was no intent to bamboozle people. We contacted the LGC yesterday—Roberta: With incomplete information again. You asked whether the wording of the article was correct and that wasn't my objection. I read the response saying that I'm requesting going back to the calendar year. I'm not stupid. My petition article is to rescind the last year's article as if it never happened so we will go back to a 12-month budget. Ellen: Tell me how to go about rescinding the budget. Do you have your petition? Roberta: I sent the petition to the LGC to see whether it is viable. I won't turn it in if we decide to have a special Town Meeting to rescind

Carlotta: Roberta just said either it's the petition or the special Town Meeting. Jed: I think it's important how we handle this; we don't want to give up on this or lose support on doing it. Roberta: When people find out, they will go ballistic. Carlotta: You're operating under the assumption that people didn't know what they were voting on, and in my conversation with Sam, he feels that they did. Ellen: I don't believe that rescinding is the right thing to do for the town, but I see what you're saying. Roberta: I thought about this a lot, weighing what's good for town's operations and what's fair to the taxpayers and I think the price tag is too high without them knowing what it's going to be. They have no choice now. And I think that was deception. I think it was very deceptive that they had no clue what the dollar amount was. And I'm not saying that the voters couldn't be convinced that it's advantageous, but they should know the cost. Carlotta: The voters will just be paying taxes ahead instead of behind. They'll never be paying extra; it's just being shifted forward. Roberta: I think the voters didn't know. Carlotta: That's the crux of the issue. Roberta: Should the voters have been informed of the tax implications as they are on every other issue. Jed: Let's reconvene when Sam can be here. Roberta: That petition article is going to be submitted.

Ellen: Tomorrow's the public hearing on the budget, and I'm wondering if someone's going to submit the petition warrant article and if there's a chance it will go through and rescind the 18-month budget? Roberta: Nothing changes other than it will have to be submitted, and today's the deadline and I don't know how to withdraw it. Ellen: There's been so much discussion, planning, and time on this 18-month budget. Roberta: The budget process has to go forward regardless because it was voted on. Jed: That's the way we understood it at the time, and we didn't know that it was a done deal last year. Roberta: At last year's Town Meeting, 60% voted "yes" to discussing the ballot issue. Carlotta: The warrant article was to change the fiscal year. Roberta: Shouldn't the board have understood the ramifications? There was a procedural defect.

Jed motioned to continue meeting till 1:00pm when Sam could be present, Roberta seconded, and all were in favor.

1:00pm:

Carlotta: Sam, you received the email Saturday regarding the fiscal year conversion warrant article and Roberta asked whether the Selectmen ought to hold a special Town meeting because there was a defect in the way that warrant article was approved. Yesterday, Jed, Ellen and I put a call into the LGC and we asked whether the warrant article as written complies with the statute and the answer was "yes," that's how we'd word the article to change the fiscal year. We also mentioned that Roberta was contemplating a petition to rescind the 18-month budget and optional fiscal year and we were trying to get an understanding of how that would go into effect. Chris, the LGC attorney, said that because the voters approved this change, if a petition warrant article went on the warrant for this

year, it wouldn't go into effect because we would have our 18-month budget on the same warrant. And she said if the voters approved it, we'd have to ask DRA how to reconcile having an 18-month budget and a petition to rescind it, and we might have to get a special ruling from the DRA on that.

The crux of the issue is did the voters know what they were voting on when they approved that warrant article by 60%. And you (Sam) said during our phone conversation that you thought they did. The plain language that the voters voted on was, "Shall the Town vote to change from a calendar year budget to an optional fiscal year budget (July 1 to June 30) and, in order to do so, bring forward an 18-month budget at next year's annual town meeting?" So 60% of voters voted to go from a calendar year to an optional fiscal year. So now we're doing what they wanted us to do which is to bring forward an 18-month budget and also a proposal for how to fund the transition. There's been lots of discussion about this going back to October, 2011 when Jed said, "If we could correspond the fiscal year to the state's and the school's it would really help but we'd have to fund it." We've been talking about this for quite a while.

Sam: I knew all along that if you go to an 18-month budget, six additional months have to be paid and funded; there was no question about that. I thought that we had the option of still going with a 12-month budget. I wasn't under the impression that the die was cast and there was no turning back. I knew that there would be a cost involved and the real question was whether the taxpayers could handle it. Are you saying there's no way of going back to a 12-month budget? Carlotta: Yes, that's what the auditor said. Sam: If the voters were in favor of not funding the 18-month budget, why couldn't you go back to the way it was? Carlotta: The statute does not address it and the voters voted to do this. Sam: But could the voters vote to undo it? I was not under the impression that it was irrevocable.

The second thing was I was very much in favor of getting in synch with the state and school. Have we accomplished that with an 18-month budget? Carlotta: Yes. Jed: The town will be much better off by changing the fiscal year than by not changing it. Sam: The big advantage is we'd know our revenue before we spend the money. I usually get a paycheck and then spend the money, not the other way around. Jed: The other part of it is that when we get towards the end of the year there's a big crunch in trying to close out the books and put together the budget, the town warrant, the voters' guide, and the town report, all within a short period of time. Sam: Does that change when our year end becomes June 30<sup>th</sup>? Ellen: Yes. Roberta: Some of the year-end stuff would still happen in December. Sam: But the town's fiscal year-end would change to June 30<sup>th</sup>. Ellen: We now start our budget on January 1<sup>st</sup> but we prepare the tax bills in May.

Sam: If the budget doesn't pass, what do we do? We have a default budget. Ellen: But we'd have already spent 5.5 months of money that we don't have. However, if we change our year, we'll have our meeting in March, pass the budget, send the tax bills, and start receiving revenue so we'll have money before our year starts on July 1<sup>st</sup>. For cash flow it makes a lot of sense. Sam: I'm convinced of the advantages for the town.

Ellen: I pay taxes and I think it's a wonderful idea. If I get to a warrant I don't understand, I skip it. But 60% of the people who voted voted yes. Sam: We sold the idea because we saw its benefits for the town. Personally, I can stand the hit; the question is about the people who can't. What definitely did not occur to me is that people who escrow their taxes would have to escrow more each month. Jed: What if we did this not in one year but over a 5-year bond? Sam: That's the real question: what's the financial impact to the taxpayers if it's bonded, using last year's budget? Carlotta: I came up with around \$1M –over a 5-year bond using 2%, it's 40 cents on a tax rate or in other words it's \$80 on a \$200,000 house. Sam: Then I think it's advantageous to the town and the taxpayer. I like paying things ahead.

Roberta: They spent 35 minutes trying to convince me what I already know, that it's good for the town– the issue here was how it was presented on the warrant. We thought it was going to be presented as an option, not as a done deal. When they called the LGC yesterday, they called on a different subject. The first question they called about is the language in the article. I'm contesting the procedure and that's why I'm talking about calling a special Town Meeting. There are laws that require disclosure of financial impact. Since we've been SB2, if there's financial impact on a warrant article it's disclosed. Not disclosing something we've been disclosing for years is a defect in the process. The spirit and intent of the way we've been doing business is to disclose financial impact. Sam: So are

you saying the warrant article should have said it will cost 40 cents on the dollar? Roberta: People in this town vote with their pocketbook.

You should have said the 18-month budget will have to be funded in its entirety and here are the options to do it. I think it was a great disservice to the taxpayers not to disclose. Carlotta: But we did not have the numbers then. And it was discussed at Deliberative Session last year; Jason Czekalski and Rick Sirvint got up spoke about it and there was a lot of discussion. Roberta: But how many people were at Deliberative? Sam: But I didn't know it was irrevocable. Who says it's irrevocable? Carlotta: It can be revoked but not this year because the voters voted to change it. That's what they said they wanted, and the next step they wanted us to do was to present an 18-month budget. But Roberta's saying that the voters didn't know what they were voting on. Sam: I thought we even discussed at the Deliberative Session whether we should finance it through bonding or the other options. The only thing is whether it's irrevocable.

Jed: We have the issue that Roberta's taken issue with this and is circulating a petition. If this turns into a mess and if we rescind the conversion to the fiscal year, when can we ever bring it up again? If we issue a bond now, it will have the least financial impact on taxpayers due to the low interest rates. Roberta: I'm in favor of changing the fiscal year, but not ramming it down the voters' throats. My recommendation is to hold a special meeting in two weeks. Give them the information; I think they would vote "no."

Sam: If changing the fiscal year doesn't happen now, it would be crazy to try to bring it up again. Roberta: If we have a special Town Meeting and the warrant article doesn't pass to change it, we propose the 18-month budget and a default is a 12-month budget. We will have had the bond hearing and people will know what it costs. All the people that signed the petition agree. You did inadequate research on that warrant. You don't even live in this town; you have no skin in this. So, are we having a special Town Meeting or is Roberta going to present a petition?

Roberta: This board can make a determination whether there was a procedural defect. Sam: I'll agree that it should have been written that there would be an \$80 impact but we didn't know it at the time, and we didn't know that it would be irrevocable. If we have a special meeting and it fails, it's the end of the issue. It would be ludicrous to try again. If we say this will cost you \$80 to pay ahead and not behind, and they say no, they don't want to pay the \$80, then it's the end of the issue. I would say we didn't know it was irrevocable and it's \$80 on a \$200,000 house. I'll be the first to admit that I didn't know it was irrevocable. Because we didn't know the numbers, we didn't put it on the warrant. I thought it was the best thing for the town and I still think it is, but I agree the voters should still have the option to say "no, it's not worth \$80 to me."

Roberta: We can't change back to a calendar year by vote this year. When the auditor said "you are on an 18-month budget" that was hard to swallow. Because it was thought that we would have a 12-month default. When I formulated the idea of doing a petition article, you can't do an article to rescind last year's vote, because then you'd have an 18-month budget to spend in 12 months. As far as the petition, I have withheld signatures and have told everyone it may not be presented.

Sam: We just have to figure out how to move forward. Carlotta: We have to go to the budget hearing tomorrow night. Jed: right now, we're showing a budget that will be less than the 18-month default. Ellen: yes. Sam: I would say present an 18-month budget that's level with the 12-month budget. But if we're looking at a 5% increase plus the cost of going to a 12-month, and then if it doesn't get approved and it goes to a default, I'm moving.

Carlotta: We were on track with the plan until we got derailed and I'm suggesting that we get back on track and go forward with the plan. The voters voted for an 18-month budget and that's what we're giving them. Sam: if we go up 5% of the town portion of the tax bill. The whole thing comes down to the Highway block grant – the difference between the 5% increase and the 2% increase. Carlotta: The Highway block grant is paid to us quarterly. The money has to be spent that year or the following year. We did a cash flow to show when the payments are coming in. Mike paves in August each year. So we are reflecting the revenues when we receive them and the expenditures when they're going to be spent. That's how the proposed budget is made. The default budget is done differently – times 1.5 because there's no rules about how to create an 18-month default budget. Ellen: We were trying to understand whether we had to spend all the Highway block grant money in a certain year. We learned we can spend

it in the year it's received or the next year. Mike took the time to give us the numbers on how much he needs to spend on his highway projects next year. He's not going to do 1.5 times the highway projects. And the way we approach the default budget, and we had no guidance, so we followed what's been done in previous years and in other towns (we approached other towns on this) on the method of creating a default : take prior budget, increase it by contractual obligations and subtract one-time expenditures. Salary adjustments were made, and were added in and the other is the increase in NH retirement and health insurance. We've shopped around to see if we can bring it down. But these are the costs moving forward; we don't have a choice. The dept. heads did what was asked of them which was to take their budgets and bring forth what they need. Sam: What bothered me was stealing money from Mike to fund other departments. If you take out half of it, will you be short? Mike: My understanding is that it will be in the operating budget and we will have it the first six months. Sam: It's in the first 12 months but it's not in the second six months. Correct. Carlotta: it's a seasonal expense. Mike: I took the second six months out to make it more palatable for the taxpayer.

Carlotta: Are we moving forward with the plan or taking the detour? Roberta: I think people are going to be dismayed that there is no other option than the 18-month budget. Jed: That's where the selectmen have to show leadership. Sam: And sometimes that means admitting making a mistake. Jed: We proposed what we did in the best interest of the town.

Sam: Carlotta, you've got to pull another \$100,000 out of this budget. Sam: If we can present a budget that's basically flat, we can then push forward with the 18-month. Sometimes timing's everything.

Sam: if we can present an 18-month budget that's level and it costs them \$80 to go to a fiscal year I don't see why anyone will have an issue with that. Ellen: and it would be good to present a united front. Sam: and there will be no problem with the BAC if you can present a flat budget. Carlotta can figure out a way to keep it flat. Jed: if we have to make some sacrifices, okay, but one that we should do is to find some way to keep it flat and to get some more time for Ellen because it's been very helpful to have her.

Frank: is the board prepared to explain to the public that they're going to eliminate the planning director and being down a police officer? Mike: I can't lose anybody in my department. We've been looking at this since 2008 – to find innovative ways not to eliminate certain safety services. Jed: or we should sell some town land. Roberta: that has to go on warrant. C: the voters unfortunately don't seem to care so much about the revenues. They're looking at this budget. Jed: the revenues fluctuate.

Sam: It's only \$100,000; you can find it; I know. But we've got to pave the roads. Mike: I'm planning to repave Danforth Road and the first part of East Monomonac, and Hunt Hill the following year.

Jed: have we decided on a clear plan to move forward? Roberta: Sam's the voice of reason here; I have a problem about how this was done. Sam: I hate to make a mistake but it was an honest mistake; I didn't know it was irrevocable. Roberta: We have to say publicly that we didn't realize, and they have no choice now. Sam: There's no question, I made a mistake and honestly didn't know that we couldn't go back to the 12-month budget. Roberta: I think it would go a long way to calm people down if it was said that we thought it was going to be implemented differently. Sam: I'll say it in the meeting tomorrow. Roberta: Even people I talked to last year about voting for it said it's a good idea for us to do. I was promoting it because I agreed. I was not on the select board but I was on the BAC and I did promote it and I lied because I thought it was not irrevocable.

Jed: So for now, you'll keep the petition? Roberta: Yes, I'm holding off on the petition.

Ellen: So we're 18-month and there's no petition so we're good? Mike: so we have to find \$100,000 by tomorrow from the numbers you presented for the select board? Carlotta: the purpose of the hearing tomorrow is to gather input from the public. The budget has to be finalized by the end of January. We had tentatively scheduled a meeting on the 23<sup>rd</sup>. Sam will be gone from Monday, the 14<sup>th</sup> through Feb. 2<sup>nd</sup>. Jed's gone from 17<sup>th</sup> to 26<sup>th</sup>. The budget could be amended at the Deliberative. Sam: You just need the bottom line number tomorrow night. Carlotta: So we should have a pretty good indication of how it's divided up.

Frank: I think it's important to keep our positions intact in the police dept. In the operating side, after July 2013, the PD is slated to replace a vehicle for \$27,500 and we'd be willing to forego replacing that former chief's vehicle if we won't be losing a position.

Dave is not in good health. He's been out for a week – aneurysm on his aorta, his spleen is dead. Surgery in February. He would remain an employee but not working, I was asking the Board to move forward on a certified application. We're down one position and right now down two. Beyond Blake, there's a difference between his salary and an entry level salary. Dan Anair will take his 6-weeks paternity leave. We'd try to protect the personnel and forego the car. Carlotta: maybe we can think about Frank's proposal between tonight and tomorrow night.

Jed motioned to adjourn, Roberta seconded and all were in favor. The meeting ended 2:20pm.

*Minutes respectfully submitted by Linda Stonehill, Administrative Assistant*