

SELECTMEN'S WORKSHOP
Minutes of 08-03-09
4:20 p.m.

Selectmen:

Peter F. Brothers, Chairman
Miller C. Lovett, Vice Chairman
Robert C. Flanders
Charles G. Palm
Colette Worsman

Co-Interim Town Managers:

John C. Edgar
Brenda L. Vittner

Recording Clerk:

Karin Landry

Call to Order: Chairman Peter Brothers called the meeting to order at 4:20 p.m. He introduced the Board, Co-Interim Town Managers, and the Recording Clerk, and made announcements pertaining to fire exits and cell phones.

W 09-36 Budget Implementation Update

Co-Interim Town Manager Brenda Vittner presented a six-month financial overview at the July 20 Board meeting. At that time, it was determined that a workshop would be scheduled to discuss some of the items included in the overview in more detail.

Public Works Director Mike Faller was in attendance to address questions posed by the Board. The Board was provided with various back up material regarding 2009 road project prioritization.

Batchelder Hill Road

\$250,000 was earmarked to complete the project. Additional costs were covered under the Public Works operating budget. Ms. Vittner broke down the various costs associated with the project.

- Direct Labor Costs – determined by calculating each staff member's hourly rate x the number of hours associated with project and adding the additional costs for NH Retirement, FICA, and Medicare, when combined equals the total direct labor cost by employee to the Town. Total Direct Labor Costs: \$6,232.36
- Indirect Labor Costs – determined by calculating for each staff member that worked on the project the costs associated with fringe benefits; health, dental, and life insurance, and uniforms. A general hourly rate of \$10 was assigned for all employees working on the project for indirect labor costs. Total Indirect Labor Costs: \$2,660.00
- Overhead Rate – a set overhead rate is difficult to determine, without having a standard item to include in the calculations. For this project a general administrative cost was determined by utilizing the average hourly rate of the support staff and including the NH Retirement, FICA and Medicare amounts. This rate was determined to be \$30 per hour. Overhead Rate: \$30 x 25 hours = \$750
- Direct Material Costs – the amount of \$32,090.35 is the amount the Town has paid from invoices received from the contractors.

- Indirect Equipment Costs – to determine the indirect equipment costs, a local vendor was contacted for local rates and reviewing the latest reimbursement rates from FEMA, enabled a realistic amount to be used for the costs. It was noted that the total equipment hours are less than the direct labor hours. The difference is attributed to the travel time of the operator to and from the site, as well as the lunch break for each employee. Employees are required to take a half-hour break, and it is not realistic to have the operators return to the DPW garage to take the break. The indirect rate for equipment costs does not include the operator, however does include maintenance and fuel costs. Indirect equipment costs = \$19,057.80.
- Subcontractor Costs. Phase I – GMI Paving - \$84,786.87. Phase II – Ambrose Brothers and GMI Paving, approximately \$162,292.05. The first payment to Ambrose is tied to an invoice and the second is based on an estimate from the bid.
- Material costs charged directly to the Public Works budget was \$32,090.35.

Total Costs attributed to Phase I and II of the project are: \$307,869.43. The total costs are approximately \$11,000 under the estimates at the outset of the project. The Town paid \$279,169.27 in costs associated with the project. The original estimate was \$275,000. The costs associated with the Public Works budget are approximately \$40,000 under what was estimated. One of the primary cost savings for the paving portion of the project was due to the change in the amount of tonnage needed. In the original estimates, 2,650 tons of material was the specified amount. The tonnage was reduced to 2,400 tons; Mr. Faller explained that the reduction was due to the intersection. The reduction in tonnage resulted in a savings of approximately \$15,000. The assumptions used to attach hourly rates to the various costs associated with the project were memorialized for future reference. Ms. Vittner will investigate whether there is a field in the accounting software that allows a bill to be attributed to a specific job when it is paid.

The Board posed various questions regarding the project. Improvements to a small section of road in front of Weed Road were included in the project. There was a consensus among the Board that side edging and striping are imperative for safety issues.

In 2008, when this project was originally bid out, the bid prices varied between \$450,000 and \$525,000, at which time the project was put on hold until better pricing could be obtained. Dialogue ensued regarding how the reduced costs of outside labor, asphalt, and diesel fuel worked in the Town's favor. \$9,600 was realized on the difference in the price of liquid asphalt. In addition, there were some unknowns at the time that the project was originally bid out which may have had an effect on the bid amounts.

The Board thanked Ms. Vittner and Mr. Faller for their efforts in compiling the information associated with the project. Selectman Lovett is concerned that there is more work to be done to identify all costs associated with running a department and completing a project to establish accurate overhead rates. He cautioned that although the project came in under projections, the project was affected by the economic environment and the original budget for the project was just an estimate. There was a consensus among the Board that efforts made to identify costs related to the project are a major step forward. The Chair suggested utilizing a software program to refine the process of identifying costs related to a project. Dialogue ensued regarding various factors that must be considered in determining accurate overhead rates. Selectman Palm suggested that a separate log be kept for equipment time and operators on future projects. The Board agreed that the information presented was very comprehensive.

Road Priorities

Mr. Faller has begun the process of preparing to have the Road Surface Management System (RSMS) implemented in September. He has been engaged in data collecting including driving roads, identifying mileage, pavement width, and road surfaces. He estimates that all information will be compiled by the middle to the end of August. A workshop will be scheduled on the matter at that time. Dialogue ensued regarding the designation of Beech Hill Rd. and Weed Rd. for maintenance and overlay. The Town made an investment in rebuilding the two roads in 2006. The roads have had a few years to settle, and Mr. Faller recommends a wearing course to protect the Town's investment.

Selectman Worsman would like to be able to refer to specific data pertaining to how to identify road priorities. The RSMS program will help establish road priorities and life cycles. Co-Interim Town Manager John Edgar told the Board that it is important to articulate underlying policies when interpreting data on roads.

Selectman Flanders inquired about improvements to Upper Ladd Hill Rd. The road is not heavily travelled at this time, and there is some anticipation that off site improvements will be made in conjunction with a potential 35-lot development.

Selectman Lovett is concerned with future costs stemming from the lack of road maintenance that is a result of attempting to keep the average tax bill steady. Mr. Faller told the Board that it is hard to estimate the impact of delaying road work. The need for road work varies because it is largely weather dependant and winter related. The Chair pointed out that there is a potential impact as a result of delaying road work, and that the Board and Town administration have a degree of responsibility to prioritize how funds available for road work will be spent.

Selectman Flanders reminded the Board that assessed property values that will be adjusted this October, which could affect funds available for future projects. Selectman Palm pointed out that the adjustment of valuations should not influence the Board's decisions on road priorities at this time. The dollars spent that are not property tax driven are the focus. Mr. Palm suggested realizing a savings by not striping lesser travelled roads. Mr. Faller and Mr. Edgar explained the safety issues associated with striping roads, quoting the words of former Chair Frank Michel "safety trumps everything."

The bid price on asphalt for paving projects, not including Batchelder Hill Rd. is \$67.84 per ton. This was the contracted price for Town projects as bid in the spring of 2009. At the time that Batchelder Hill Road was bid, a separate bid document was prepared to separate the paving amount for the project, in the hopes of getting a better price. The price per ton for Batchelder Hill was \$66.84 per ton.

When discussing the municipal tax rate, the factors that come into play are the gross appropriations (what is voted at Town Meeting), municipal revenues (non-property tax revenues) and the Town's net appropriations (the amount to be raised by taxes). The goal of the Board of Selectmen has been to keep the amount of dollars to be raised by taxes at the same level or lower than 2008. The largest non-property tax revenue for the Town is motor vehicle registrations; the estimate for 2009 is \$1,225,000. The final estimate for 2009 will be determined in September. There will be a better picture at the end of the third quarter as to the amount of non-property tax revenues collected. Dialogue ensued regarding various factors affecting motor vehicle registration and what effect the state budget will have on municipalities.

The total cost for the Beech Hill Rd. and Weed Rd. projects is \$100,000. If that amount is released, approximately \$326,000 in expenditures will remain on hold. Ms. Vittner will provide the Board with the contribution to fund balance for 2008. Selectman Palm wants to be certain that the contribution to fund balance for 2009 is the same percentage of the total operating budget as in 2008. Brief dialogue ensued regarding how the release of \$100,000 might affect the year end bottom line. Ms. Vittner reminded the Board about additional considerations for this year's budget, including repairs at the Town Hall Annex, potential costs associated with participating in a lawsuit filed by LGC, the change in funding the retirement system and negotiation of a labor contract. The \$250,000 allocated in the Public Works budget for paving work does not include normal day-to-day labor.

The Chair will arrange a joint meeting among representatives of the School Board and District, the Town Manager, and himself to discuss matters impacting both entities prior to the commencement of budget talks. Mr. Edgar suggested that the meeting be limited to Town representatives at the staff level.

Ms. Vittner answered various questions posed by the Board regarding the budget.

- Electric utilities were broken down by location/department for 2008 and 2009.
- The costs for filing a tax lien are governed by statute. The mailing of impending tax liens is done in March and the actual tax lien mailing is done in May.
- Approximately seven pieces of equipment were sold at the White Farm auction. Ms. Vittner will provide a detailed list of the equipment at the request of the Board.
- The owner of the sign lease has been billed. He is being pursued at this time.
- The recycling markets are very difficult at this time. If an opportunity arises to accrue additional funds, Mr. Faller will consider it. There is a limited capacity for storing recyclable materials, so they must be sold or removed at a certain point.
- The Parks & Recreation Department is at 55% of their projected revenue. It is projected that the year end revenues will be relatively close to the estimate.
- Trust Fund revenues are reimbursed in December. Revenues remain at \$0 until that time. The interest on deposits was lower this year than in the past.
- The Scenic Park irrigation pump electrical circuit also hosts the Christmas lights, accounting for a \$123 electric bill in January. Various cost saving measures have been instituted to reduce electricity consumption.
- Vehicle logs will be tied into fuel reports. Additional lines will be added in some departments for unleaded and diesel consumption.
- Lines were added for propane and heating oil.
- Propane and diesel generator lines were added for the Community Center and the Public Works, Police, Fire, and Water & Sewer Departments. A load test should be performed on the generators. Mr. Edgar will investigate opportunities to coordinate service contracts for the generators owned by the Town.
- Ms. Vittner has not identified any expenses that are significantly over budget.
- The allocation for each department is up to date.

Dialogue ensued regarding the timing of road projects. The asphalt plants do not have huge backlogs at this time. Protecting the Town's investment in Beech Hill and Weed Rd should be a priority for 2009. There are unknowns that should be considered when authorizing the release of funds, such as the repairs at the Annex. Ms. Vittner suggested making a decision on the two roads by the end of August, and considering other priorities on the road project list in September. Selectman Flanders suggested releasing funds to complete the work on Beech Hill Road for \$27,000, and considering additional road

projects in September, when additional data is available. Ms. Vittner clarified that the paving bid does not include a tonnage threshold. The bid is at \$67.84 a ton. The current contractor has worked with the Town in the past to ensure a favorable price at the time the work proceeds. There was a consensus among the Board that funds should be released in the amount of approximately \$30,300 (including gravel) to proceed with the Beech Hill project.

Resident Jim Hughes credited the Board and previous Boards for the investment that has been made in equipment and technology, allowing staff to compile detailed budgetary information. He acknowledged the quality and the education of the present day staff, and the efforts that have been made to improve their workplaces. He thanked the Board for their generosity.

Daily Sun reporter Michael Kitch pointed out that the state closed the books on the fiscal year already ended, which limits changes that they can make at this time. Brief dialogue ensued regarding how the state budget might affect municipalities.

The Board will move into a non-public meeting per RSA 91-A:3 II (b), personnel, after a five minute break.

Selectman Lovett motioned to adjourn the meeting at 6:30 p.m. Seconded by Selectman Flanders. 5-0. Motion passed.

Respectfully submitted,

John C. Edgar, Co-Interim Town Mgr.

Peter F. Brothers, Chairman

Brenda L. Vittner, Co-Interim Town Mgr.

Miller C. Lovett, Vice Chairman

Karin Landry, Recording Clerk

Robert C. Flanders

Charles G. Palm

Colette Worsman