

Approved by City Council on June 13, 2016



City Council Budget Workshop Meeting Monday, May 9, 2016

Call to Order

Mayor Merrifield called the meeting to order in the Council Chambers, Franklin City Hall at 6:01 p.m.

In Attendance

Councilor Boyd, Councilor Starkweather, Councilor Barton, Councilor Desrochers, Councilor Wells, Councilor Zink, Councilor Dzujna, City Manager Dragon and Mayor Merrifield.

Late

Councilor Clarenbach – did arrive at 7:24 p.m.

Absent

Councilor Giunta.

Salute to the Flag was led by Councilor Dzujna.

Mayor Merrifield introduced Julie Greenwood who will be interning for the Mayor.

I. MUNICIPAL SERVICES DEPARTMENT

Buildings – Page 40 - Total Buildings - 2% decrease

Director Sullivan commented that he is focusing on the operations and maintenance side of the budget. If there are personnel question he can answer them or Director Milner or City Manager Dragon can answer them.

He will start with the totals and then any significant changes he will go back up.

City Hall – 4% decrease over last year

Director Sullivan stated that due to the new heating system and lower heating oil budgeted. Mayor asked about the contracted services \$34,500 under the unadjusted services and Director Milner stated that was carried over from last year for the downstairs repairs.

Proulx/Parks/Beaches – 3% decrease

Director Sullivan stated that due to heating oil and gas prices as main factor for the decrease.

Bessie Rowell Community Center – 0% level funded

Director Sullivan stated that this includes the trip center that wasn't budgeted for last year.

Odell Cottage – 0% Level Funded

Director Sullivan stated the heating is the main cost of the cottage and the Boys and Girl Scouts use the Cottage as there is a lease agreement so we pay the cost of that.

Police Building - Page 46 - 11% increase

Director Sullivan stated the main reason for the increase is due to electric rates, water and sewer rates and the sprinkler system rehabilitation to be in compliance and functional.

Fire Station - Page 53 - 30% decrease

Director Sullivan stated that the decrease is mainly due to other contractual services as they did work like security (doors, etc.) that was a one-time deal and now it is back to where it was in FY14 on that line item.

Municipal Services Administration – Page 64 - 1% increase

Director Sullivan stated there was a 17% increase in Worker's Compensation but a 29% decrease in Unemployment. Other than that all other lines are level funded including salaries. Councilor Boyd asked a total of only 1% and Director Sullivan stated yes just 1% increase.

Municipal Services Buildings – Page 64 - 1% increase

Director Sullivan said the buildings include the office, main storage garage and the old horse barn. The gas company caught up with us and we had to put in a new meter. The increase is mainly attributed to mainly the misc. supplies. Councilor Zink asked about raising the roof as she stated Director Sullivan said some of the trucks don't fit in for inspections and is this not in here. Director Sullivan stated that would be in capital and when they get there they can talk about that.

Highways & Streets – Highway & Streets - Page 65 - 1% increase

MSD Roadway Maintenance – 23% decrease

Director Sullivan said that beginning in 2006, we started to get State aid of about \$170K in block grant money that always went to road resurfacing and repairs because of the budget. The reason for the decrease is due to contractual services. At a Council meeting it was approved to allocate \$159,857 to do roadway maintenance so that shows here so it is really level funded.

MSD Snow/Ice Removal – 0% level funded

Director Sullivan stated that with this past winter you just never know what will happen so we are holding the line.

MSD Drainage & Vegetation – 0% level funded

Director Sullivan stated we are doing a lot of work in drainage as it has to be done prior to doing work in the road. There hasn't been a lot of work done in 50 years. We have been proactive in cleaning the 1200 basins every year and cleaning and flushing all lines and have inventoried all basins but there is some work to be done on some of the lines and structures to be rebuilt. We are about 2 years behind as things keep coming in so we have to prioritize but there is a list of drainage projects like easements and rebuilding the lines as some lines are the old corrugated steel pipes and they are starting to rot causing sink holes.

Highways & Streets – Street Lighting – Traffic & Street Lights - Page 66 - 0% level funded

Director Sullivan stated the project on the LED lighting is 99% complete and we had some issues with warranty and Eversource had to do some adjustments to electrical outlets to the poles. We expect to see a 50% savings this year but that will pay for the improvement and we have had very positive comments on the lights. This also includes pavement stripping and lining and we haven't had it all done yet due to weather but the company stated they will hold the line on the cost. There is also money for traffic light maintenance and we have had a company come in and resync the lights.

Mayor asked what MUTCD was and it stands for Manual Uniform Traffic Control Devices. We are slowly making all lines retro reflective which is required by the Federal Government to brighter color and larger lettering. It was to be done in 2012 but we are doing them as we upgrade until the Federal Government tells us otherwise.

Highways & Streets - Other – Mechanical Garage - Page 67 – 6% decrease

Director Sullivan stated the telephone went up a bit due to redistributing the phone charges. The supply budget is up to have more stock available. The fuel is level funded as you just never know. There is a new employee who used to work for the City of Concord.

Highways & Streets – Total of Highway & Streets, Street Lighting, Other – 13% decrease

MSD Buildings & Grounds – Page 68 – 13% increase

Director Sullivan stated this is also the Parks & Rec portion of the budget. There are 4 employees Elwyn retired, as he worked for the City forever. The position has always been budgeted for 32 hours but we never used all that money. What we would like to see happen is, Ken LaBraney who came on through the State of NH work employment program, bring him up

to a 40 hour week. Dan Case is assigned strictly to Bessie Rowell CC. Brian and Russ who are both over 50 so Director Sullivan is trying to get someone in who knows the buildings, especially with the new heating systems. Ken has the know-how and is savvy enough to do it. This past winter he was assigned to the sidewalk tractor and made it through that just fine. It is a minimal increase but will benefit in the long term with the buildings and all the grounds. Brian is concerned about retirements, as there were 3 this year, and he is trying to rebuild the department for the long term.

Sanitation – Solid Waste Collection – Page 69 – 38% decrease

Curbside Collection – 44% decrease

Director Sullivan stated the decrease is due to the equipment lease expiring. We saved about \$98K a year that we would have burned in the incinerator vs the \$152K we paid for the trucks. The recycling market is very volatile right now. It is pretty much level funded. We have moved the lease money over to capital.

Recycling – 0% level funded

Director Sullivan stated this is offset by revenues. We bought the hook lift and we haul our own demolition and that generates revenue and we average 6017 ton a year. That truck should last 20 years at least. We use this truck for multi-use and if we didn't have it we would have to pay for hauling fees.

Sanitation – Solid Waste Disposal – Page 70 – 0% level funded

Transfer Station –

Director Sullivan stated to read the detail in the budget packet which will be a good indicator as to what the tipping fees are all about. Recycling is a nationwide issue due to the downturn and there has been a major change in packaging rendering some items non-recyclable. All recyclable cans will be relabeled with the new labels. Mayor asked if there will be a penalty from who is hauling our waste as it dramatically affects our weight. Director Sullivan stated no they will not at this time. We are paying \$61.50 a ton, as China has stopped accepting recycling, packaging has changed, there is a glut of recycling and everyone has gone to single stream recycling. Glass is no longer to be recycled it is to be put in the trash or brought to the transfer station. Glass is useless and they no longer want it. Councilor Boyd asked that glass bottles cannot be recycled and they go in the trash and Director Sullivan stated that is correct. Councilor Boyd asked if Director Sullivan was going to notify everyone and he stated yes that the recycling sticker was going on everyone's recycling bin. Councilor Boyd said that you have one for every person and Director Sullivan stated yes. Director Sullivan said the more glass we get out the less it will cost us. Councilor Zink asked if tipping fees are always changing. Director Sullivan stated it depends on the ton and we use Wheelabrator until 2022. We generate 4300

tons total but we bill back commercial haulers \$66 plus \$15 admin fee and recover some of the fee. We are controlling our costs the best we can.

Sanitation – Total of Solid Waste Collection, Solid Waste Disposal, Transfer Station – 16% decrease

Transfer Station Building – Page 71 – 0% level funded

MUNICIPAL SERVICES TOTAL – 11% DECREASE

Capital Outlay – Page 85 – 60% Increase

Director Sullivan said some are recurring requests and some have been addressed. Last year we were able to get a bucket truck and a 1 ton dump truck. If the Fire Dept does get a new truck, we will take the 1985 Engine 1 and convert a 10 wheeler with a plow and sander as Truck 7's frame is rotted out. That is our hope and we will discuss this later. Buildings have zeroed out. Have done some road work. We would want to keep the roads on a 20 yr resurfacing program appropriating \$800K a year. The only negative is parts keep going up so we had to increase that line item as our trucks are older. The Mayor asked about the \$800k for roads, that is just if we were to pay for everything yearly and that is for overlay and drainage. Councilor Zink asked about raising the roof and sees that it was put in and it looks like the City Manager took it out. Councilor Zink assumes all the inspections for the fire trucks and maintenance will be done outside. Director Sullivan states yes it is the ladder truck, trash trucks, dump trucks. The idea is to raise 3 bays, modifications, to lunch rooms, restrooms and facilities for the guys as it needs upgrading. We have portable lifts so we can bring them outside and the State inspections are now due in September so that helps.

Councilor Wells states he sees another building on Tannery St. Director Sullivan stated they put up a steel building for their equipment. He is trying to put as much equipment indoors as possible to keep it covered mainly in the winter.

Councilor Desrochers asked about the cottage renovation. Director Sullivan stated he believes Director Alpers applied for a grant for that. Councilor Desrochers stated that he thought some group raised money for the cottage. City Manager Dragon stated the City never received any money from any group. Director Sullivan stated the porch is the worst on the building. Leigh Webb offered to do work on the porch but because it is on the historical registry the City didn't feel it was appropriated to have volunteers working on that.

Councilor Desrochers then asked if stuff was being put on the frames of the trucks to keep them from rusting. Director Sullivan stated they are putting stuff on them yearly but after 15 years they just get thin. They also pressure wash the underneath after every snow event and wash off as much as they can. Truck 7 is the worst right now. They do use a rust inhibitor.

Water Fund – Page 94

Director Sullivan has provided a CAR for everyone to read for the July 5 CC meeting. This is a report that addresses the overall condition of the water, sewer and WRSB program. This will help you understand as you will be asked for a 4.36% increase in the rate. There is less consumption of water and sewer. The report will tell you what we are off by and how that has affected the budget. The budget is based on what it costs to run the program vs. the amount of money we have to raise in revenue to support the funds. The current problem is the wells; we had to unexpectedly rehabilitate the Franklin Falls Well because the production rate was dropping. When you rehabilitate a well you have to take it off line. Acme #1 and Franklin Falls Well were both rehabilitated this year. Acme #2 Well is in this budget as we have to totally redevelop as it was already rehabilitated 3 years ago and has dropped back down to 300 gallons a minute so it is considered an unusable well. This will be a 2 year process and it will have a price tag around \$250K, Phase 1 is in this budget. This is balanced by a 6% increase that began in FY15 that was deferred rather than the increase all at once, 7.48 gallons of water is one cubic foot.

We don't have any PFOA in the water and we are not identified as a town that is a target area right now. We do 181 samples a year for testing. Due to the issue in Flint, MI, we may have to do further testing for lead and copper. At this current time we have no issues with lead and copper.

Director Sullivan stated we have a free lead detection grant so 2/3 of the city will be tested in the months of July and August. They will listen and see if there are any leaks and water loss.

Councilor Zink asked about the users charge and Director Sullivan clarified the users and the base charge. Councilor Zink also asked about estimated connections and he clarified that and stated that we will get a lot more when the catch housing project goes online. He also stated the more water we sell the more stable our rates are. In FY17 we need to raise \$1,653,379.

Water Distribution & Treatment - Admin – Page 96 – 1% Increase

Administration – 3% Increase

Director Sullivan stated the increase is mainly due to debt service. We have a 10 yr loan at 2¾% for the Cross St tank.

Distribution – 1% decrease

Director Sullivan stated the decrease is based on the reduction on the other contractual services.

Water Supply – 4% decrease

Director Sullivan is comfortable that they can hold the line there.

Water Treatment Facility – 13% decrease

Director Sullivan said the decrease is based on the operating and as the plant gets older we continue to make adjustments and fine tune the operation. We are removing 99.8% of the Iron Manganese out of the water.

Director Sullivan said we flushed a few weeks ago and only had 2 complaints. Normally we would have 50-60 calls. The hydrant at McDonalds we would normally have to leave open for 45 min – 1 hr we only had to leave open for 10 mins. We only flushed one time last year instead of two. Everything we have done has improved the quality of the water. Councilor Zink asked if the telephone was cancelled at the water treatment facility. Director Milner stated that it was doubled. Councilor Dzujna asked when Catch Housing comes in what type of demand will it put on the wells. Director Sullivan estimated at 100 people 240K cubic ft per year and we can handle that but we always need to make sure the wells are functioning properly. The Catch Housing will have a transition time so getting the Acme 2 up and running should be finished when the Catch Housing transition is finished. Councilor Boyd stated the water tower will benefit us for the next 30-40 years, looks great and was a huge improvement. Director Sullivan stated there is always something in the system to be working on. We reduced the ISO rating by 1 point due to all the improvements to the water system.

Sewer Fund – Page 100

Director Sullivan stated there is no rate increase for the sewer fund. We have less sewer customers and we look at cubic feet billed out which gives us \$1,515,344 in total revenue. Of that 39% goes to the City and 61% goes to the Winnepesaukee River Basin Program to run the treatment plant and their facilities. There is an entire section in the CAR report. We have a very healthy retained earnings in sewer so it was decided to take \$115K from that to offset a rate increase.

Sewer Department Administration – Page 102 – 13% Increase

Director Sullivan stated the increase is for machinery and equipment. We have to continue to develop our I&I inflow and infiltration reduction program, which means were getting less surface and underground water in the system, which we potentially could be paying for with a new rate assessment formula. We have done smoke testing and we have flow metering on the agenda. We are finding areas in the system, one area of the system had a stream tapped into the sewer main on Gilman St. Average rule of thumb is you are never going to get rid of I&I you are going to have 20%. In the WRB program to do the assessment based on a rolling average of 5 years, but Tilton hasn't been paying there fair share. They are looking to assess each community differently. Councilor Zink asked what O&M was. Director Sullivan explained it was operation and management. We pay 16% of WRB O&M costs to operate. Franklin bought into

22% of the facility, they overbuilt the facility. There is 62 miles of collection pipeline from Moultonborough to Franklin.

Bids went out for the seven streets and the word is there is a bidding war going on. Bid opening is on May 24.

II. OVERVIEW OF CHARGES FOR SERVICES/REVENUES/FINES/FEE UPDATES

Revenue from taxes – Page 16 – 1% Increase

City Manager Dragon stated there are not a lot of changes. We removed PILOT Easter Seals as we have not been successful in negotiating an agreement with them. If we are able to get them to agree to something we will put it back in.

Revenue from Licenses, Permits & Fees – Page 17 – 6% Increase

City Manager Dragon stated that this is really based on how Director Milner was categorizing the Motor vehicle agency fee. The increase was in the wrong line last year so it was just moving it around this year.

Revenue from Federal and State Government – Page 18 – 32% decrease

City Manager Dragon stated this has to do with grants and how they show. There is a slight increase in the Highway Block Grant and we are projecting a small increase to the Rooms and Meals Grant. We still are not getting the revenue sharing money that we were getting a few years ago as that was suspended by the State a few years ago. Drug Task Force grant is different than our fiscal year but it adds up at the end of the five years.

Revenue from Charges for Services – Page 18-21 – 4% decrease

Income from Departments – 18% decrease

City Manager Dragon stated that Solid Waste has a small increase. Councilor Zink asked about digging and driveway fees and why they went way down. Director Milner stated they were a kicked back of reserves from the Ashfill but since they have closed we will no longer be receiving that. Recreation Dept. is always adjusting up or down based on their programs.

Revenues from Miscellaneous Sources – 16% decrease

City Manager Dragon stated there was a small increase in our cell tower that was from the change over from US Cellular & Sprint. The Solar Lease is the big one and we are likely not getting any money in FY16 due to delays in the project so we should be able to collect from all 5 sites in FY17. Mayor asked if the 73K is strictly lease not power and City Manager Dragon stated that was correct. Cable Franchise Fee went up a little and we have no control over that. We did adjust down a little in Ambulance Fees to be more realistic in what we can collect for

the upcoming year. Dispatch is based on cost running the center and numbers of calls dispatched per community contracted. Some towns are fiscal and some are calendar so they pay at different times.

Interfund Operating Transfers In – 96% decrease

City Manager Dragon stated this is just what is moving in to the capital reserve accounts.

Other Financing Resources – Page 21 – 418% Increase

City Manager Dragon stated this is where you see the money for the fire truck and the paving project. You will see these figures in a few areas.

Grand Total Revenues – 1% increase

Councilor Dzujna stated that there is money in there for the school for the before school program and that is something that they are not doing this year. City Manager Dragon stated that they had asked for \$4000 for that so it is in there.

III. WAGES AND BENEFITS OVERVIEW

City Manager Dragon refers to page 1 talks about the CPIU is .7%, cost of living increase, so that doesn't give them much to work with. Merit increases are included in the budget. Councilor Clarenbach asked what the percentage is for the steps as the people at the top of the step haven't gotten a raise in the last 2 years. Director Milner stated she would look that up. Health Insurance is being switched which reduced our costs by \$110K and only is a 2.8% increase rather than the 11.7% increase if we stayed with our current provider. Workers Comp. went up a little bit based on positions, unemployment decreased from \$45 to \$32 per position.

City Manager Dragon wanted to update the Council that the Superintendent called and he needed to find \$600K and Tim Dow stated he should call her. Her response to him was to bring it to the Council Meeting on June 6 but what would be more productive is to bring to the Council what you are exactly looking for. City Manager Dragon offered that she and Director Milner would be willing to sit and look at their detail budget and help them brainstorm at ways to move things around, like they do, to bring it under the tax cap. Councilor Zink heard two things that it was \$500K and now \$600K. Councilor Clarenbach heard it was \$1 million. Councilor Dzujna heard it was \$1.3 million. Councilor Desrochers asked if anyone knew the reason why they are \$600K short or are they just saying they are \$600K short? City Manager Dragon stated she doesn't now until she meets with them to look at it.

City Council to consider the minutes of the April 11th, 2016 Joint City Council and School Board Meeting.

Motion: ***Councilor Desrochers moved that the Franklin City Council consider the minutes of the April 11, 2016 Joint City Council and School Board Meeting. Motion seconded by Councilor Dzujna.***

Councilor Clarenbach had one correction as it states he is listed as both in attendance and absent and he was absent.

All in favor with the correction; motion passes.

Councilor Dzujna is on the committee for Community Day and if any Councilors want to march in the parade on May 14 meet at the high school at 9:30 am to march in parade as an elected official.

Motion to adjourn made by Councilor Clarenbach, seconded by Councilor Boyd. All in favor; meeting adjourned at 8:01 p.m.

Respectfully Submitted,

Lauraine G. Paquin