

**MINUTES
BUDGET WORKSHOP
DOVER CITY COUNCIL
CITY COUNCIL CHAMBERS
TUESDAY
MAY 15, 2001
7:00 P.M.**

Members Present: Andrews Parker, Berry, Boc, Dunnington, Hindle, Mayberry, Nossiff and Reese. Councilor Schmidt arrived at 7:30 p.m.
Also present: Asst. City Manager Mike Joyal

1. BUDGET REVIEW:

A. ENTERPRISE FUNDS

Community Services Director Pete Lavoie began by reviewing the Water Enterprise Fund (budget document page 277), stating that personal services have increased due to contractual obligations.

Next, #4331, Study Services, Soil/Sand Filter Feasibility Study which came from the CIP, is \$50,000 to study the Lowell Avenue discharge from the Water Treatment Plant as presently the water is discharged directly into the sewer system. We pay the Sewer Division approximately \$40,000 a year for that discharge. This will allow them to look into the possibility of building a soil/sand filter allowing water to discharge into the storm drain system without having to pay the sewer system and then having only to dispose of the sludge, resulting in a large payback.

#4339, Consulting Services – Lavoie stated that this is a large amount but the department utilizes consultants for many different projects.

#4433- Maintenance Charges – There is an additional \$10,000 included for repairs to motors and wells. Lavoie stated electrical components are in need of replacement on several wells as there is original equipment from the 1930's still being used and needs to be upgraded.

#4612 – Operating Supplies- Chemicals – increasing due to having to add more and different types of chemicals, as well as the cost of the chemicals themselves having risen.

#4550 - Printing and Binding, Advertising – Lavoie stated they are required by the EPA to publish a Consumer Water Quality Report which they distribute with the Community Notes twice a year.

#4652 – Improvements Other than Buildings – This account is used to purchase hydrants, valves, gates and other components for the system.

Capital Outlay – to be used to clean, inspect and repair one well per year, of which there are seven.

#4730 – Garrison Hill Water Tank – State and EPA requirements call for the interior to be cleaned every 5 years. Lavoie stated that the exterior was completely redone last year and the interior was cleaned 5 years prior. He stated that the interior had never been cleaned since it was built, but contained surprisingly little sediment.

#4741 – Machinery and Equipment – used for the water meter replacement process.

#4743 – Vehicles – replacing the 1984 Cube Van with something smaller and more efficient.

Boc clarified that this Fund contains no new positions and that the increase in personal services is due to increased benefits costs.

Nossiff discussed #4211 – Health Insurance – asking if we are self insured in health insurance as we are in Worker's Comp.

Finance Director Jeff Harrington stated we are insured through the NHMA. He further explained that the City had at one time in the early '90's self insured the health benefits, but found that the number of participants in the group was too small to be actuarially sound. At that point, the Finance Director felt they were better off joining the NHMA, which had a larger base of participants and offered more options to employees.

Nossiff discussed his concerns with the ever-increasing cost of insurance for employees to the taxpayers, stating that he would like the city to investigate the option of self-insuring again, as there is a larger amount of people employed since the last time.

Joyal discussed that the health industry as a whole is looking at increases in the high teens, whereas the city is only looking at a 10% increase this year. He stated that we have actually done well over the last few years being a part of the NHMA Trust, which does provide a larger participant base than the city, which even now, has fewer than 500 employees total. He explained that the NHMA Trust is essentially a self-insured entity, which also provides many ancillary services to the employees.

Harrington stated that a study was done several years ago to examine the cause of the increased cost and found that it was the actual costs of the services and not over-utilization by employees as was first thought.

Reese stated the small firm he is employed by has a 35% increase in insurance cost this year and feels that the 9.4% overall increase by the city is exceptional at this point in time.

Next, Reese discussed the most recent water bill, which stated a meter reading date of March 2nd and asked why there is such a lag time.

Harrington explained that the readings take about 6 weeks to complete throughout the city, as there are still many manual readings to be done, and they are then mailed out all at the same time after a quality control check is completed.

Reese asked about the status of the Bouchard Well.

Lavoie explained that there is \$50,000 in the CIP for the study and design of the new facility, with \$900,000 to \$1 million in the next year to build the treatment plant. He stated they are still looking at different properties on which to build the facility.

Mayberry asked about item #4460 - taxes for Rochester, Somersworth, Madbury and B&M Railroad.

Lavoie explained that there are water lines crossing over the B&M Railroad property for which they do charge the city. There are taxes to other communities because the City does have pumping buildings located there.

Sewer Enterprise Fund – (budget document page 285) - Lavoie stated that again, there are no new employees in this fund and consulting services are used on an emergency basis.

He then discussed the jump in the water/sewer consumption which was due to a meter at the River Street Pump station which they discovered was registering only at a high velocity, but was not registering the low flow which was used to cool the pumps. He stated that they have since replaced this meter and therefore the amount showing actual usage needs to be increased accordingly.

#4443 – Rental Equipment – this is for the root control effort in the sewer lines which they are trying to keep a handle on before it becomes a problem and causes backups in homes.

He reviewed various other accounts with increases including #4622 – Electricity- which is increasing in all areas due to the price of fuel, but also in this particular fund because of the additional pump station costs due to the many new subdivisions.

Reese asked about the root control for the sewer lines, and whether we do the homeowner's part of the line.

Lavoie stated we do not, but if we find that the roots are close to those lines via the t.v. camera, then they will foam that section too.

Reese then discussed the pump stations for the subdivisions, asking if it would be better for the Planning Board to mandate the use of natural gas vs. electricity once the city has taken control of them.

Lavoie stated that it would require a large generator type of thing in order to have natural gas work, but feels that the long term goal is to try to have developers go with gravity lines if possible so the city does not have to take over pump stations.

Nossiff asked how many pump stations there are as he feels that these are time bombs that the city has to be responsible for many years.

Lavoie stated there are 18 pump stations. He stated we are continuously looking at alternatives to pump stations as well as the possibility of having the sewerage from Dover Point go directly to the WWTP as opposed to the River Street pump station first. Mayberry then asked why something funded in the CIP is showing up in the regular budget.

Joyal stated that all Capital Expenditures over 10,000 are put into the 5-6 year CIP, but are funded through different avenues. He stated the CIP is meant to be a "big picture" of upcoming projects, which are then placed into different financing components, including debt service or anything under \$100,000 put into the operating budget so it is not funded for long term debt.

Mayberry then asked about the Depreciation Expense item.

Harrington stated it is a complicated issue, but the short answer is that it is required according to general accounting principals and is just allocating the cost of an asset over its useful life.

Wastewater Treatment Facility – Lavoie stated that there is a reduction in the personal services account due to the reconfiguration of the Supervisor position which has now been combined with the Public Works Superintendent.

Boc asked how many people are at the WWTP.

Joyal stated there are 8, which is one less than 3 years ago and is now reduced by one more. He stated that a comparison was made between the proposal of the previous operator, OMI, and the current operation showing that there has been a savings of \$50-60,000 over each of the last 3 years since the city has taken it over again.

Lavoie continued by explaining that the previous operator was there during the first 10 years when the equipment was new or was replaced under warranty, but now everything is getting older and parts need to be replaced. He stated in Capital Outlay there is lightning protection included as there have been several strikes on the building which causes \$5,000-\$6,000 in damage each time.

Reese asked where we are in regard to planned capacity.

Lavoie stated we are at ½ capacity at this point and do not need to expand. Schmidt asked about the previous odor problem and will it be reduced as the capacity is expanded.

Lavoie stated yes it will be helped with more capacity.

Arena Fund – Page 329 of the budget document – Lavoie explained that with the expansion to two sheets of ice there will be some staffing changes in regard to upgrading the current program supervisor position to an Arena Supervisor and, as needed, there will be an additional programs supervisor added, as well as a maintenance person. He stated that this budget is their best estimate since they have not yet run both arenas at the same time.

He explained that between the depreciation of \$144,000 and the interest of \$200,000, which are hitting hard in the first year, the actual operating costs of the Arena are between \$600,000 and \$700,000.

Andrews Parker stated she doesn't feel that another person is needed to oversee the programs of a second sheet of ice.

Recreation Director, Gary Bannon, explained that with the previous reorganization of the Community Services Department, the Arena staff went from 5 full time to 3 full time who have all worked above and beyond to meet the 7 day a week requirements of supervising the facility.

He stated that they don't expect to fill that additional position until October when both sheets are operational.

Reese asked if the chillers are natural gas or propane.

Bannon stated natural gas.

Reese stated that last year they spent \$25,000 to do one rink, but this year they are asking for \$90,000 for both rinks, and asked if this is a fair estimate. He stated that the Council was told that the chiller would handle two rinks and wants confirmation of this.

Lavoie stated that they are relying on what the contractor has told them regarding the cost of running both the rinks and are taking into account the increased fuel cost. He stated that yes, the chiller was meant to handle two rinks.

Reese then asked about #5424, Public Liability Insurance – which has gone down and questioned why that would be when there will be more users.

Joyal clarified that the public liability insurance deals with the staff, the users' liability insurance is under 4521, Property and Liability Insurance and that account is going up.

Mayberry asked about taking the Arena out of the Enterprise Fund.

Boc agreed, stating he has always felt that it should not operate as an enterprise fund because it is similar to the Library and Recreation services, which are not enterprise funds.

Harrington stated there are a number of reasons why this was set up as an enterprise fund, including the fact that it is much easier to keep track of the cost of running the arena and separating it from other operations. He stated that he feels that he would need to research the reasons why it was set up that way before giving a thorough answer.

Nossiff reiterated his concern with the overall cost of health insurance and feels that Dover should lead the way in doing a study to investigate alternatives.

After much discussion, Andrews Parker clarified that Councilor Nossiff is not speaking for all Council members regarding this issue.

B. MISCELLANEOUS

Mayberry asked what the "central stores" account is for.

Joyal clarified that this is a general account for various supplies, i.e., envelopes, stationary, copy supplies, etc.

No further questions.

Councilor Reese was excused at 8:05 p.m.

C. SCHOOL

School Board member Nick Skaltsis stated the Council was sent a letter last week outlining the administrative costs as requested at the previous workshop session. He then went on to explain that the School Board strongly feels that school funds should be spent on the schools and that of the projected \$4.00 increase, the School budget is only 1/4 of the problem.

Mayberry stated he has 4 real concerns. First is the creation of positions regarding teachers vs. managerial staff.

Skaltsis stated that during the budget presentation the Council was shown that the student/teacher ratio for Dover was 17/1 compared to the State average of 14/1, and the administrative ratio is under 300/1 for the State, with Dover coming closer to 400/1. He stated the School Board is asking for one additional administrative position, which is the instruction specialist. He stated this is all a part of the ongoing reorganization of the middle school by the new principal and is being funded by the elimination of one teaching position and eliminating the status of curriculum advisor, thereby creating a \$55,000 position with a budget impact of only \$20,000. He continued by stating when the budget was presented by Mr. LaSelva in January, all new administrative positions were not considered, until the additional funds appeared to be coming from some other source other than the local property tax.

Next, Mayberry asked about the curriculum changes occurring in the system, as to whether or not there are state or federal mandates or recommendations.

Skaltsis stated that there have been no changes in over twenty years and in many areas there is no curriculum plan in place any longer. He stated the State has created a framework, which was adopted by the previous school board. He stated that if we choose to ignore this framework, the students will not be prepared for the technological society they are entering and will not do well on the State tests. He stated that the framework that came from Concord did come from the federal government level, but it is not mandated.

Mayberry stated that he will not vote for a \$4.00 increase and is looking throughout the budget for areas to cut. He asked what impact a \$100,000 decrease would have on the delivery of education.

Skaltsis stated that the Board would turn to the Superintendent for that recommendation, but through informal discussions they have concluded that money would come out of the

facilities fund, so as not to impact education. He stated that if this is cut, then they will probably be back in September to have a boiler replacement put into the CIP. Any further cuts would begin impacting education in relation to the hiring of new teachers and the implementation of the new curriculum. He explained that general maintenance and improvements have not been done over the last 4 years because that is where the ax always falls first.

Boc stated that \$100,000 only means 10 cents off of the tax rate.

Mayberry stated that a little here and a little there adds up.

Hindle stated he doesn't agree that cutting facilities maintenance doesn't hurt the education of the children because the conditions of the classroom impact both teachers and children.

Berry stated he feels both sides did a great job putting their budgets together and that the School Department has found a unique way to ensure that the additional state funds will be used directly for education. He stated that he feels comfortable supporting \$2 million of the \$3.5 million spending increase as that much can be offset with revenue. He is uncomfortable with cutting \$900,000 from both sides of the budget as they are basically maintenance budgets and catching up on things that have previously gone undone, but feels that \$4.30 is just too much of an increase.

Skaltsis clarified that 70 cents of the increase is from the county and the statewide property tax portion is mandated, so therefore, \$1.50 is out of the Council control. He stated that if \$900,000 were to be cut from the School side, then the local School budget would have a negative impact. He stated out of the \$3.5 million increase they are asking, only \$500,000 is being raised from the local property tax. He reiterated that the School money from the State belongs to the schools.

Boc stated that in the previous years that he served on the School Board, they had a hard time getting one additional teacher a year. He stated that this Council has supported the School budgets as presented with up to 36 new positions last year and wonders if the new positions being requested this year could be delayed.

Skaltsis reviewed the growth in the system over the last 5 years, which has resulted in 20% larger classes than what are recommended.

Discussion ensued regarding student/teacher ratio and the impact this may or may not have on education.

Boc stated that last year the Superintendent stated that he would not come back with more than a 10% increase this year, if the budget was funded last year, but that is not the case. He stated that if we do fund the additional 15 positions this year, will the School Board be satisfied next year?

LaSelva explained that he cannot say that he will not want additional teachers for the middle school level. He stated that the restructuring calls for having 3 teams of students with 15 teachers per team as opposed to the two teams per grade with only 10 teachers. He stated that the growth from Barrington is increasing the population of the high school as well.

(Councilor Andrews Parker was excused at 8:35 p.m.)

Nossiff stated that he is not surprised by the \$4.30 increase figure as he feels that this Council has engaged in unprecedented spending. He doesn't feel that the fact that the School Superintendent stated not more than 10% increase would be forthcoming this

year and has actually gone over, is a joking matter. He commended Mr. LaSelva for the work he has done thus far, but feels that a deal is a deal. He asked what the impact would be if the Council held to 10%.

LaSelva stated the statement was truthful at the time it was made, but there have been many variables since then which have changed the facts and if we took those unknowns out of the equation, then his budget is within that 10%.

Discussion ensued regarding various issues, including the teacher's contract, tuition students' impact on the overcrowding, state funds, etc.

Mayberry stated that he feels that a \$100,000 cut from the one-time spending list would not make an impact on either the facilities or the education of the children. He then asked when the school board anticipates having to come back to the Council requesting additional facilities to accommodate the teachers that are being hired.

LaSelva stated the Elementary School Facilities Task Force has data that indicates that projected growth in student population is flat even with all of the new growth thus far. He stated he cannot predict what the future development will do to the figures, but feels that there will not be a need for an additional facility for at least 5-10 years. He stated that the existing facilities are what need to be renovated and there is \$100,000 in the budget to go forward with this, as well as CIP funds.

Mayberry asked about the CDBG funds.

LaSelva explained that those are specifically for the Alternative School building.

Mayberry asked how much the Woodman Park Bus Loop is going to cost.

LaSelva stated \$235,000, which entails much more than just a bus loop.

Skaltsis explained that all 5 facilities have enough room to accommodate growth. He stated that it is the cafeteria, gymnasiums, and classroom sizes that are in need of expansion.

Hindle asked how our spending compare with other communities on a per student basis. Skaltsis stated that some of the data has changed since January, and therefore, he will forward this information to the Council. He stated that Dover is average in most categories.

Hindle stated that he feels that the Contingency account should be left alone and used as a rainy day fund.

Skaltsis stated that the fund was initiated 4 years ago and has yet to be funded.

Berry stated he agrees that the fund should be funded and then allowed to grow. He has an issue with the fact that the Middle School was not built with enough classrooms right from the beginning. He also feels that the tuition students are a double edge sword as they are contributing to overcrowding in the school, but the tuition is a part of the revenues.

Skaltsis feels that the tuition students are paying their own way.

Nossiff stated he would like to know where they can cut.

Skaltsis stated that the only authority the Council has on that budget is on the bottom line. He stated that the Council is tax rate driven, but they need to understand that the School budget is only a small part of the impact. He further explained that the City can request supplemental funds in the fall once the tax rate is actually set by the state, but

the school board cannot do that as they have to do their hiring in the spring. He stated he cannot give specific cuts at this time without conferring with the other board members.

Schmidt stated that services are being expanded and need to be paid for. He stated that he feels that the way we raise the money is the problem and would like to see citizens go to their state representatives and address the funding issue.

Hindle asked that the Council and School Board come together earlier next year in some type of budget summit to get all of the facts straight before starting the process. Skaltsis explained that the School Board starts their process in January each year out of necessity.

Berry moved to adjourn, seconded and passed unanimously.

Valerie A. French
Deputy City Clerk