



Approved as amended by City Council on July 3, 2017

City Council Budget Workshop Meeting Monday, May 30, 2017

Call to Order

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

In Attendance

Councilor Ribas, Councilor Moquin, Councilor Desrochers, Councilor Zink, Councilor Dzujna, City Manager Dragon and Interim Mayor/Councilor Clarenbach.

Absent

Councilor Barton, Councilor Giunta and Councilor Wells.

Salute to the Flag was led by Councilor Desrochers.

City Manager Dragon stated they will go through budget page by page and the department head will summarize any major changes on that page. The department head will skip over wages and benefits as that is a separate conversation for everyone.

I. MUNICIPAL SERVICES DEPARTMENT

Buildings – Page 88 – Total Buildings – 1.4% increase

MSD Director Sullivan stated he will start with expenditures and highlight the operations and maintenance lines and give an explanation.

City Hall – 1.5% increase

MSD Director Sullivan stated that other contractual services has a 3.3% increase for life/safety issues as some items have been neglected over the years.

Parks/Beaches – 1.3% increase

MSD Director Sullivan stated that other contractual services has a 3.3% increase for emergency lighting, testing and inspection.

Odell Cottage – 0% Level Funded

MSD 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. City Manager Dragon stated that the scout master is looking to do work on the building and is working that

out with Parks & Rec. Director Alpers and will bring that to the council as there is a historic component. City Manager Dragon stated it is just part of the historic district.

Bessie Rowell Community Center – 1.4% increase

MSD Director Sullivan stated that other contractual services has a 12.3% increase for emergency lighting, testing and inspection. There are several other requirements for life/safety issues. City Manager Dragon mentioned that the BRCC expenses are split and prorated with the other organizations in the building based on the square footage they use.

Police Building – Page 98 – 5.2% increase

MSD Director Sullivan stated building repairs and maintenance has a \$7,500 increase to replace the metal doors and it is a security issue.

Fire Station – Page 110 – 12.0% decrease

MSD Director Sullivan stated that the decrease can be attributed to the savings from the new boiler and they finished the window replacement.

Municipal Services Administration – Page 114 – 5.1% increase

MSD Director Sullivan stated the increase is really salary and benefit expenses. Other than that all other lines are level funded. Deputy Director Barry is full time as this position used to be part time.

Highways & Streets – Page 117 – Total of Highway & Streets, Street Lighting, Mechanical Garage – 8.2% increase

MSD Roadway Maintenance – 10% increase

MSD Director Sullivan stated the increase is attributed to personnel issues. There is a new line requesting a seven (7) year lease on a new F550 with a plow and a sidewalk tractor. The new truck would replace truck #10, a 1999, as it is down every snow storm and we have put a ton of labor hours and \$5K into the truck over the last five (5) years. The sidewalk tractor is a 1996 and it works a ton and the yokes in the middle are worn the machine is ready to break in half. This machine would be kept as a spare as it has a lot of down time. City Manager Dragon stated these are in the capital plan that was reviewed.

Councilor Clarenbach asked if the money for these are coming from the trash truck lease ending and that will purchase 2 one tons, sidewalk plow and the fire truck and City Manager Dragon stated yes. Councilor Clarenbach asked if the fire truck was ten (10) year and these are seven (7) year and Finance Director Milner stated yes.

MSD Snow/Ice Removal – 32.4% increase

MSD Director Sullivan stated they did an average of what it has cost for the last five (5) years in actual expenditures and most is for sand and salt as Franklin has a lot of hills. They went out 42 times this year and have looked at the average they have spent and have increased the line for sand and salt from \$85K to \$120K. They went over budget this year but not last year so this is a balance.

MSD Drainage & Vegetation – 0% level funded

MSD Director Sullivan stated he made a proposal through the Webster Lake Association for the intersection of Lake Ave and Webster Ave and do a retention area similar to Griffin Beach. This would be dependent on section 319 water assistance grant money that would be in the Governor's budget and a contribution from the Webster Lake Association. The city's portion is significant that it may have to be deferred.

MSD Director stated that they are at the point where they can no longer do leaf pickup as it is burden on the department and the longevity of the infrastructure. There are 84 catch basins that need to be built. There are other ways people can get rid of them. It takes four (4) people and up to 38 days to pick up leaves at one of the worst times of the year and the MSD Dept. is a very lean crew and can't afford to spend that many employees on this. Some years not all leaves can be picked up as sometimes it snows early. The machine is also a 1998 and needs work. Councilor Desrochers asked how it will affect storm drains. MSD Director Sullivan stated they would focus on just the storms drains and only the drains. Councilor Clarenbach stated once the budget is passed start announcing this to the community. MSD Director Sullivan stated it is not a monetary issue it is about not getting essential work done.

Highways & Streets – Traffic & Street Lighting – 0% level funded

MSD Director Sullivan stated that there has not been one street light complaint since they put in the LEDs. City Manager Dragon stated the cost remains in the budget to offset the cost of the lighting. Finance Director Milner stated they are in year two (2) of six (6) years.

Highways & Streets – Mechanical Garage – 3.5% increase

MSD Director Sullivan stated much of that increase is due to personnel related costs. The outside repairs line was reduced and the uniforms increased to bring it in line to what is expended.

MSD Director mentioned that the down time on most of the equipment is significant due to the aging fleet but it is a daily challenge especially with parts getting more costly.

MSD Buildings & Grounds – Page 118 – 15.5% increase

MSD Director Sullivan stated the main reason for the increase is to add a new #4 truck to this fleet and remove truck #4 and #10. There is a new line for a lease on a new F550 for seven (7) years.

Municipal Services Buildings – Page 119 – 34.8% increase

MSD Director Sullivan stated the increase is attributed to the gas unit heaters that have to be installed in the garage. There are five (5) but three (3) were shut down and they ran two (2) all winter.

Solid Waste – Page 120 – 2.2% increase

Curbside Collection – 5.7% increase

MSD Director Sullivan stated the increase is related to personnel related costs. He stated he has concern of the longevity and maintenance of the automated trash trucks. He has looked at outsourcing curbside collection. The cost of the automated trucks new has increased \$100K since Franklin purchased theirs. He checked with a large trash company and the City of Manchester and they only get about 8-10 years out of the trucks. In the long run as costs continue to rise he feels they need to look at outsourcing curbside collection. It will cost twice as much but you have to take into account the equipment and maintenance costs as the equipment ages. Councilor Desrochers asked if they outsource should they consider contacting Tilton-Northfield and try to get it all in one contract. MSD Director Sullivan stated that it is worth looking into that type of regional approach. City Manager Dragon stated it will be worth evaluating all the costs for this to include pickup, trucks, trash bins, etc. as they think about replacing these trucks. There is a lot to think about financially. Councilor Clarenbach stated that the city has bought garbage containers and anyone who wants them now they should buy them as they are a huge expense.

Recycling – 29.3% increase

MSD Director Sullivan stated more people are recycling and the demolition center (construction debris) is facing an increase from \$72 to \$86/ ton in those costs. Councilor Clarenbach asked if we are covering our costs on these items. MSD Director Sullivan stated they are covering their costs on recycling and demo. Councilor Clarenbach asked are there other areas that we are not covering our costs. MSD Director stated they have three (3) people to help curb that and yes revenues have increased. Councilor Desrochers stated there was a facebook post for Northfield residents to bring it to Franklin as Northfield doesn't take items.

Transfer Station Operations – 1.8% decrease

MSD Director Sullivan stated other than the personnel related costs the operating costs have been pretty much the same. Some of the decrease is because Pinard is coming in and taking their trash to MA and not Wheelabrator. They have a contract with Wheelabrator until 2022 and right now they are the best deal for Franklin.

Transfer Station Building– 0% level funded

MUNICIPAL SERVICES TOTAL – 7% INCREASE

Councilor Zink asked for clarification for health benefits as there are different amounts in different areas. City Manager Dragon stated they will talk salary and benefits later but it is based on actual enrollment of the plans and health costs went up 14.8%.

Water Enterprise Fund – Page 150 – 2.4% Increase

MSD Director Sullivan stated that the picture is not pretty, as he presented in the MSD workshop previously, as the assets are disproportionate with not enough customers to support the infrastructure. The major challenge is there is 57 miles of pipe, three (3) different pressure zones, five (5) tanks, three (3) well fields, well pumps, five (5) pumping stations and treatment plant to maintain. The two (2) budget busters this year is Acme Well as it has been down as it is pulling sand in. The pressure reducing vault on Pleasant Street is an unsafe environment. The state has encouraged them to seriously look into it.

MSD Director Sullivan stated that daily there are water call issues due to the age of the system. They are experiencing a loss of water. They have checked 27 miles and found nothing and this summer they will do the other 30 miles. There are many private connections before the meter which are old copper piping and are hard to track.

Administration – 3.4% Increase

MSD Director Sullivan stated the increase is due to personnel related costs. There is an increase in engineering. City Manager Dragon asked if MSD Director Sullivan can explain the SCADA (Security Control Acculation Data) system. It is radio controlled radio frequency division that is tied into all the alarms of the water system it troubleshoots the issue. They can control the pumps with that system and turn them on and off. There are five (5) antennas around the city. In the past it was done over telephone lines that cost \$12K a year. Councilor Zink asked about the general liability and the insurance costs are dropping. Finance Director Milner stated the general liability went down due to the actual property and value of the property.

MSD Director Sullivan stated there is funding included in the 3.4% as they are applying for a state drinking water revolving fund loan and grant to replace the pressure reducing vault. They are looking at a \$29K payment over a ten (10) year period and it is a 30% forgiveness. The pressure reducing vault controls the pressure from the million gallon tank and reduces the pressure to under 100 lbs as by state law we can't exceed 110 lbs. Many of the old homes can't take 80 lbs so they have pressure reducing valves built in their houses. Councilor Clarenbach stated the upper Pleasant Street tank services a very small amount of homes. There have been some concepts of selling the water to Tilton-Northfield and that is a \$1M project and they are not able to do that at this time.

Distribution – 1.1% increase

MSD Director Sullivan stated the increase is due to the Acme Two rehabilitation that costs \$240K and has to be done. Councilor Clarenbach asked what the projects were last year for \$265K. MSD Director Sullivan stated it was for a portion of Acme I rehabilitation and he would need to look up the other. In the CIP plan there are items in there for projects. It costs \$200 a linear foot to replace a water line and there are 57 miles of pipe. This system is over 100 years old.

City Manager Dragon stated that the water rate increase is \$0.39 in this budget. Councilor Clarenbach stated he agrees there is no way not to have a rate increase and that is a challenge. MSD Director Sullivan stated we are down 5M cubic feet in billable gallons for water and sewer which equates to \$300K loss in revenue a year.

Water Supply – 0% level funded

Water Treatment Facility – 0% level funded

Sewer Enterprise Fund – Page 156 – 0.4% decrease

MSD Director Sullivan stated there is a fixed rate for sewer. He stated there is the disproportionate customer base due to the infrastructure. He is using the wording from the CAR from the workshop meeting.

Administration – 1.8% increase

MSD Director Sullivan stated the increase is due to personnel charges and electricity costs increased.

External Operations – 1.7% decrease

MSD Director Sullivan stated that the operations have gone down but the revenues have gone down as well. This is due to the debt service from the Winnepesaukee River Basin is down.

MSD Director Sullivan stated last year they took \$115K from the Sewer Enterprise Fund Balance to offset a rate increase and this year the city is not in that position. Councilor Clarenbach asked if there was something catastrophic to happen in water can you use the sewer funds. Finance Director Milner stated it is a ratepayer system so she didn't believe so but you can borrow between funds but it needs to be paid back as it is not all the same ratepayer. Councilor Clarenbach asked if the water fund balance is in jeopardy if something major was to happen. Finance Director Milner stated the water fund is 14.8% instead of the 25% so it is pretty low as that equates to \$220K. Councilor Clarenbach asked if the city's general fund can provide to the water fund. Finance Director Milner stated it can provide a subsidy to an enterprise fund but then banks will question. Councilor Dzujna asked when you borrow money

are you limited or are there any stipulations in regards to interest or penalty. Finance Director Milner stated that would more likely come from the general fund if you borrowed.

MSD Director Sullivan stated he did a calculation that one person per year uses approximately 2000 cubic feet of water and if you divide that by 100, as they bill by 100 cubic feet intervals, and multiply by the .39 it is a \$7.80 increase per person for the year. For sewer it is 2000 cubic feet and divide that by 100 and multiply by \$0.69 it is \$12.80 per person. Director Milner stated that would be about \$20 per person per year and a family of four would be about \$80 per year. Councilor Desrochers asked that instead of these spikes and increasing every few years, what would it cost to do an annual increase each year? MSD Director Sullivan stated you have to look how far behind the projects are but a minimum of 5% increase per year. Councilor Desrochers asked that there have been increases a few times over the last four years. MSD Director Sullivan stated that is correct but you have to look prior to that as there hasn't been a water rate increase in fourteen (14) years. Councilor Desrochers stated that if there was an annual increase we wouldn't have these issues. MSD Director Sullivan stated that is correct and we have to look at that.

Finance Director Milner stated that when you look at the capital plan there needs to be \$750K a year in improvements. The rate increase for that is \$0.12 at \$25K because we are so far behind. MSD Director Sullivan stated they do what they can to at least maintain the minimum as they are regulated by EPA.

Councilor Clarenbach stated as a council they need to look at how the city provides services so that this isn't constantly pushed back to the taxpayers. Councilor Clarenbach asked about the interest for a unit charge. MSD Director Sullivan stated they still have to do more assessing and will bring it back next year. Our current rate structure is to charge per the meter vs. charging a unit charge for two (2) and over. The revenue of one vs the other is still being assessed. A rough estimate so far is 1120 units for revenue of \$135K.

Municipal Services Revenues – Page 58

MSD Director Sullivan stated for digging and driveway permits is about \$4,500 and Transfer Station Solid Waste fees is about \$93,276. Councilor Clarenbach stated that the drop is due to Pinard coming in so that will continue lower this number. MSD Director Sullivan stated yes and the expense number. Demolition fees don't normally change much each year. Demolition is up and more items are coming through the transfer station so that revenue number is up. Recyclable sales are up to \$27,500 and some of the expenses are offset and that is why there is a user based charge at the Transfer Station.

Councilor Zink asked if they have seen a difference with glass. MSD Director Sullivan stated they have hauled 80 yards of glass. Councilor Dzujna asked if they are seeing glass in the recycling and MSD Director Sullivan stated no much it is in the trash now. He stated glass is just not worth anything.

MSD Director Sullivan stated for water revenues there is interest income. Most of the revenue comes from the Utility Tax/Rent of \$1,386,235 and that is based on the cubic feet that is projected. There are connection fees, quarterly base charges, hydrant fee (new item) and misc. revenues (shut off fees, frozen meters, etc.). The hydrant fee will be paid by the property owner and no cost to the city. The proposed rate is \$6.45 from \$6.06 which is a 6.4% increase and that would make the revenues match the expenses in the water fund. They are proposing a \$10 increase to the quarterly usage charge to match the water charge.

MSD Director Sullivan stated the sewer fund disposal fee is the amount of water that goes through the meter, as there are some customers that are not on city water. This is figured into the revenues that would affect the expenditures line. City Manager Dragon stated if that doesn't pass it would impact the rate. Councilor Clarenbach stated that the 10.2% increase is not really that. He then stated if they didn't approve the \$10 what would the rate percentage be. Finance Director Milner stated it would be \$0.42 which brings it to \$7.33 which is a 16.9% increase. Councilor Clarenbach stated if we added the \$10 the percentage is much higher and that is the challenge and it would be 11% of the total bill.

Councilor Dzujna asked if there are people who have wells hooked up to the sewer system and is it a large number. City Manager Dragon stated yes. MSD Director Sullivan stated it is not many people and we also have the opposite as people have septic's and are hooked up to the water.

Councilor Dzujna asked if we were able to combine with Tilton-Northfield what would the customer base be. MSD Director Sullivan stated it would be about 1500 which is a small number.

Councilor Zink asked when catch housing would be water customers. City Manager Dragon stated they have said December. Councilor Zink asked would it be an increase in revenue. MSD Director Sullivan stated it would be an increase with only 45 units. Councilor Zink asked if that is built into the estimates. Finance Director Milner stated no as they didn't know when they would be finished at that time when they worked on the budget.

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

Revenue from taxes – Page 56 – 4.8% increase

City Manager Dragon stated there are not a lot of changes. Councilor Zink asked about the yield tax as it looks like we collected more than projected. Finance Director Milner stated it is the state as they do a timber cut every ten (10) years and that was the year. Councilor Zink asked if this is annual and Finance Director Milner stated no.

Revenue from Licenses, Permits & Fees – Page 57 – 4.2% Increase

City Manager Dragon stated there is a slight uptick in motor vehicle registrations. Councilor Ribas asked if we are losing dogs. City Manager Dragon stated it is probably because we haven't been doing enforcement with the dog licensing so people aren't licensing. Councilor Dzujna asked when does the meals and rooms revenue come in. Finance Director Milner stated it comes in March but they know the number.

Revenue from Federal and State Government – Page 57 – 32.3% decrease

City Manager Dragon stated the rooms and meals tax is level funded as that number usually comes at tax rate setting time. That is supposed to be slowly increasing unless the state takes it for their budget. Councilor Zink stated we need to go after the state for more money. City Manager Dragon stated she is part of a group (NHMA) that is going after all the state downshifting things onto local taxpayers and also taking of the revenues that are supposed to go to municipalities.

City Manager Dragon mentioned that the Drug Free grant is always funny looking as their grant year is different than our fiscal year. Councilor Zink asked what is VAWA. Finance Director Milner stated it is Victims Advocate Witness Advocate. City Manager Dragon stated it is for domestic violence and have been able to get it each year.

Revenue from Charges for Services – Page 58 – 1.4% increase

City Manager Dragon stated we receive funds for the time that Finance Director Milner spends on grants. She stated planning board fees decreased a bit and we are always conservative so at the request of Planning & Zoning Administrator Lewis it was decreased some.

City Manager Dragon stated the after school/before school program is 100% offset. The summer program is different as it is almost all offset. She stated that Park & Rec Director Alpers will have a complete breakdown when she presents.

City Manager Dragon stated that the court fines have just been adjusted to a number that is closer to actual. She stated that parking fines are a hit or miss depending on the seasons as well.

City Manager Dragon stated ambulance billing has been changed so there is a small increase in revenue. She stated police dispatch fees next year will be reallocated as smaller towns have increased in calls.

Revenue from Miscellaneous Sources – Page 59 – 11.8% decrease

City Manager Dragon stated the interest income has gone up as Finance Director Milner spoke to the bank as she could get a better rate at some other banks so the bank the city currently uses matched it.

Cable TV Franchise Fee is based on the subscribers and has gone up a little bit. Councilor Clarenbach stated that only the people who are subscriber to Metrocast pay this fee. Satellite users don't pay this fee. The soda machine is being eliminated as it no longer makes sense.

Councilor Zink stated that the welfare reimbursement is very low compared to actual. Finance Director Milner stated this is the time we start sending out letters about liens on their properties and when people get the letter they usually pay.

Revenues from Component Unit – School District – 13.4% increase

City Manager Dragon stated this is the school's number based on the state.

Interfund Operating Transfers In – 88.9% decrease

City Manager Dragon stated that the Bessie Rowell Community Center is having brick workdone.

Councilor Zink asked if the tax cap can be explained and any increases. Finance Director Milner stated that this on page 52 of the budget. It begins with total amount of property taxes collected multiplied by the National Consumer Price Index percentage to get the amount of new revenue. You take the pickups for New Construction as of April 1st and multiply that by the prior year tax rate and get a figure which is then added to the new revenue to get Additional Revenues Allowed to be Raised. You then have to look at what needs to be paid from that. You take the County Tax Prior Year Actual and subtract it from County Tax Current Year Estimate to get a total amount. You then take the TIF Districts Prior Year Retained Value Actual and subtract TIF District Current Year Retained Value Estimate to get a total amount. You take Statewide Property Tax Prior Year Actual and subtract from Statewide Property Tax Current Year Actual to get a total amount. You then take all three (3) of those totals and subtract from the Additional Revenues Allowed to be Raised. This will give you Additional Revenues for Allocation to Municipal & Local School District. You take the Total Amount of Property Taxes Assessed in Previous Year's Budget and add the Additional Revenues Allowed to be Raised. That gives you the Total Property Tax Allowed to be Raised to Support Current Budget for all, which is the tax cap amount for the year.

City Manager Dragon stated that the education funding that we get for the school doesn't show. When people look at this they think the school is not get much funding since the amount the state gives isn't shown here.

Other Financing Resources – Page 62 – 100% decrease

Grand Total Revenues – 0.1% increase

III. WAGES AND BENEFITS OVERVIEW

Finance Director Milner explained that on page 41 of the proposed budget is the position listing and there are not many changes. Two (2) positions remain unfunded since 2014 in City Clerk's office and LEO in MSD. The fire department had a few changes and a position change from firefighter-paramedic to firefighter. Last year MSD Director Sullivan changed a position from LEO to HEO II but after review this year that position was downgraded to HEO I. Police Department the part time secretary that was unfunded previously is partially funded this year. In the Welfare Department is a title change from Director to Administrator. Drug Free Communities has a Coordinator that is 100% grant funded. Max, our K9, is also listed as a position. The Park and Rec Dept. had some changes last year and the event supervisors are at two (2) as they moved some hours around and then will hire a summer event supervisor.

Councilor Zink asked if there are six (6) open positions. Finance Director Milner stated not anymore as some positions have been filled since this was created. The part-time patrol officer is being filled with a pool of previous officers, one (1) MSD LEO position has just been filled, the firefighter position has been filled, Parks and Rec. Event Supervisor is soon to be filled. City Manager Dragon stated that by the time the budget is passed they don't expect to have any open positions. Councilor Desrochers asked how having only three (3) paramedics going to effect the rescue services. City Manager Dragon stated it could go down to two (2) and will definitely effect Franklin for sure.

City Manager Dragon stated that health insurance and retirement are the big increases this year. We had just changed health insurance companies last year and due to the high amount of claims and not enough years with them it have increased but we have been able to offset that with no raises. Retirement system has had a large increase but not sure what can be done. Worker's Comp. premium had a decrease but that is based on payroll. Unemployment increased from \$32 to \$39 per position. Disability and life premiums remain unchanged.

Councilor Zink asked if they were seeing more overtime. City Manager Dragon stated OT is an issue in fire. Municipal Services had OT due to sicknesses and disability. When people are out they don't back fill. Police remained about the same and feels it is better since they are utilizing the part time people. Councilor Desrochers stated that the fire department is being paid so much OT that it might be cheaper to hire a new firefighter. City Manager Dragon stated they looked at that and the number is not quite there yet and we are not in a position to increase the budget. Councilor Clarenbach stated that the chief, deputy and inspectors are not covering currently. We are going to need to do things differently as morale is vital. You can't have your chiefs out of town as much as they are. City Manager Dragon stated that the department heads are going to things that are necessary for the initiative that is being worked on and they are prioritizing those items. Code Enforcement Officers were hired for a certain job and are doing that job and exceeding expectations. We need to look to the future and figure out how to manage these items as we are small but are so busy. Calls are increasing but we are not increasing our personnel. Councilor Clarenbach stated that you have to relook at that as you

have people who don't want the OT. City Manager Dragon stated that the fire department has a different dynamic as they are 24 hour shifts.

Motion to adjourn made by Councilor Desrochers, seconded by Councilor Ribas. All in favor; meeting adjourned at 8:49 p.m.

Respectfully Submitted,

Lauraine G. Paquin