



City Council Special Meeting Minutes Municipal Budget Presentation Wednesday, May 9, 2022 - 6:00 p.m. Council Chambers, City Hall

Council in attendance: Mayor Jo Brown, Councilor Olivia Zink, Councilor Bob Desrochers, Councilor Paul Trudel, Councilor April Bunker, Councilor George Dzujna, Councilor Jay Chandler, Councilor Ted Starkweather and Councilor Valerie Blake

Absent: Councilor Vincent Ribas

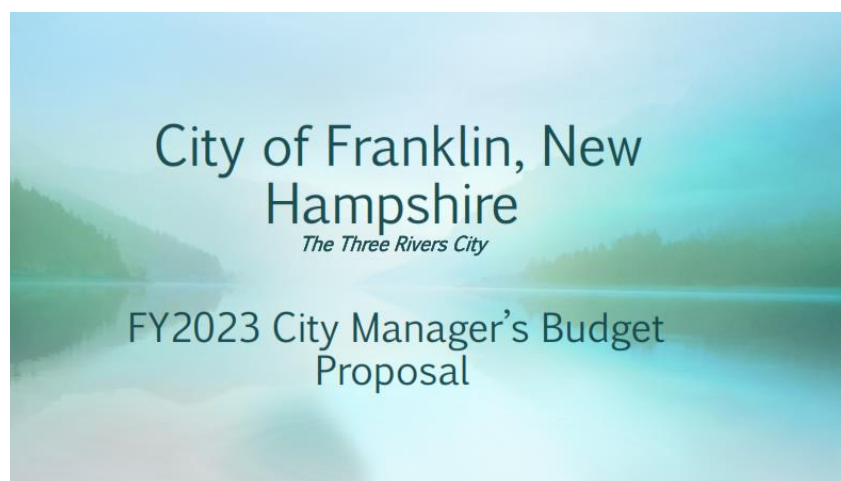
Others in attendance: City Manager Judie Milner, City Department Heads and members of the public

Mayor Brown called the meeting to order in Council Chambers at 6:01 p.m.
Salute to the Flag was led by Councilor Blake.

Mayor Brown stated that they would be starting their municipal budget hearings tonight and let the councilors know that they could ask questions at any time during City Manager Milner's presentation.

City Manager Milner started off mentioning that the Youth & Government had a much bigger turnout than usual and said that it went well this morning. She also stated that there were a few of the students in the room tonight, including the Youth Mayor, Zoe Nagle.

Milner started her presentation with the following slides:



This will be a “35,000-foot view” of the City Manager’s budget proposal. This will cover revenues, payroll and benefits. All of the departments generally fall under the City Manager and next week on May 16th, all of the other departments will be presenting except for MSD Director Hanscom, who will present on May 23rd.

Milner introduced all of the Department Heads present at the meeting with her (see below slide), minus Library Director Rob Sargent, who was absent.

FY2023 Manager’s Budget Proposal – Professional Staff

Finance Director	Esaundra Gaudette
City Clerk/Tax Collector	Michelle Stanyan
Fire Chief	Michael Foss
Library Director	Robert Sargent
Municipal Services Director	Justin Hanscomb
Planning/Zoning Director & Special Projects Coordinator	Seth Creighton
Police Chief	David Goldstein
Recreation Director	Krystal Alpers



City of Franklin, New Hampshire

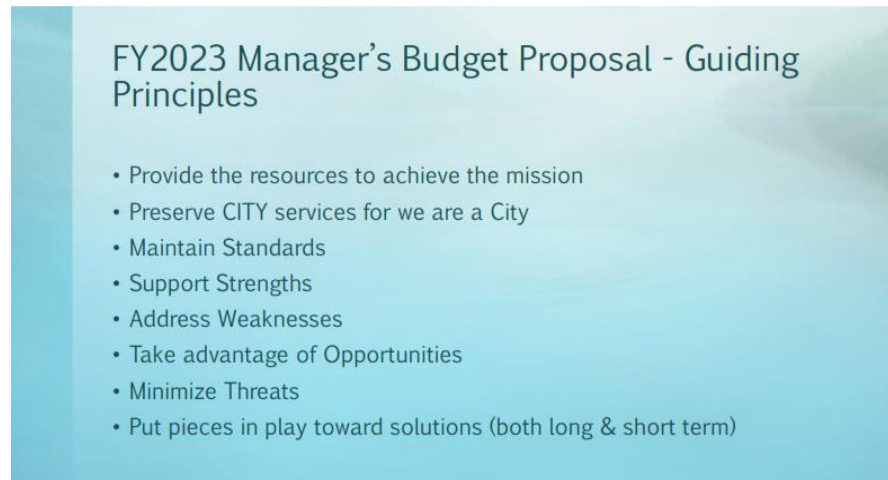
Vision:

Franklin for a Lifetime

Mission:

We will work as a team to ensure Franklin's future by strengthening education, promoting recreation, supporting businesses and providing a safe community through the efficient use of resources and talent. We will eliminate waste at all levels to maximize value to our taxpayers.

Milner read through the below slide:



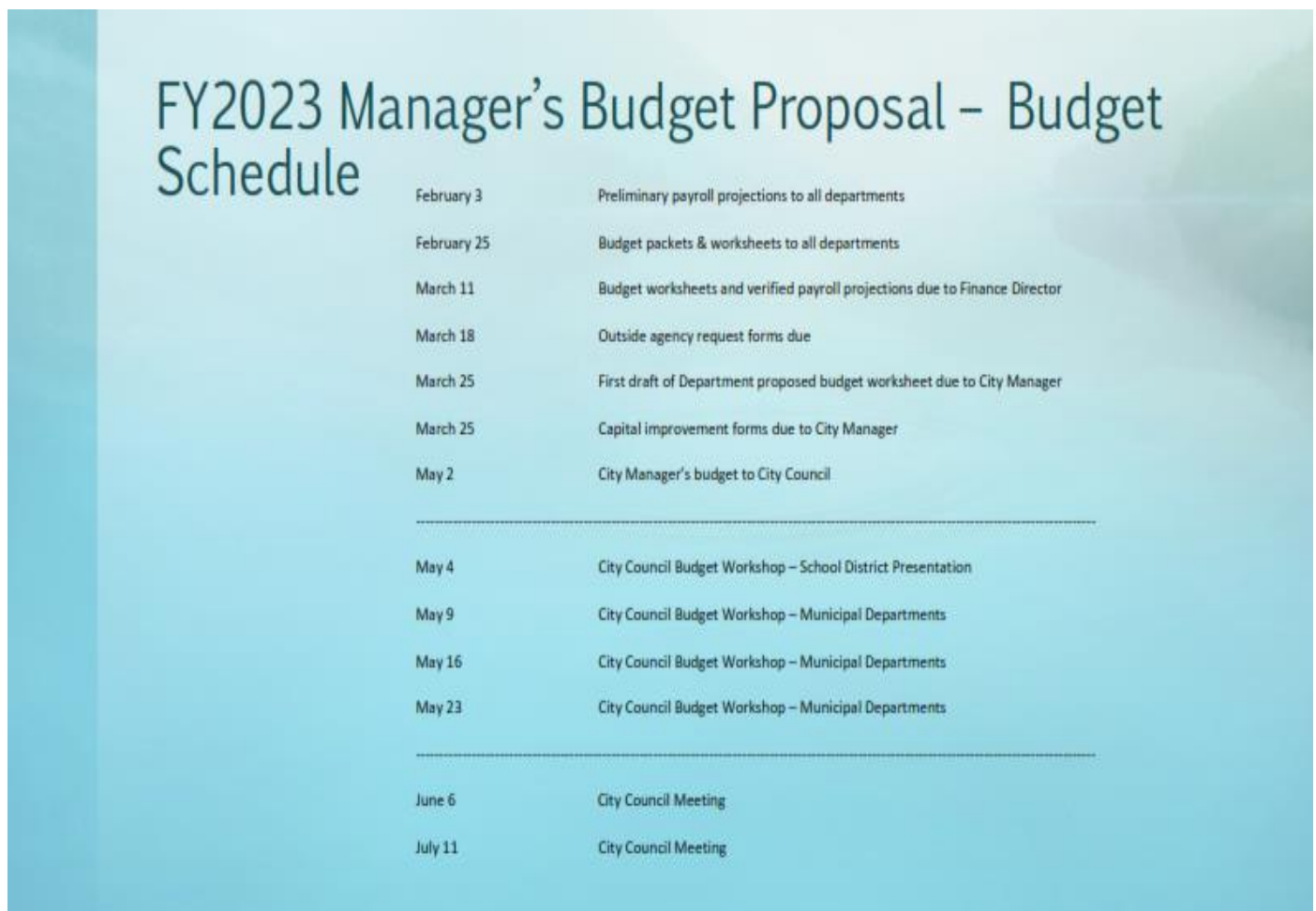
FY2023 Manager's Budget Proposal - Guiding Principles

- Provide the resources to achieve the mission
- Preserve CITY services for we are a City
- Maintain Standards
- Support Strengths
- Address Weaknesses
- Take advantage of Opportunities
- Minimize Threats
- Put pieces in play toward solutions (both long & short term)

Milner stated that everyone is doing their part to support growth to make this a community where people want to live, work and play but also want to visit.

One goal is to attract socially responsible investors and strong community partners.

Milner went over the budget schedule for FY2023 per the below slide:



FY2023 Manager's Budget Proposal – Budget Schedule

February 3	Preliminary payroll projections to all departments
February 25	Budget packets & worksheets to all departments
March 11	Budget worksheets and verified payroll projections due to Finance Director
March 18	Outside agency request forms due
March 25	First draft of Department proposed budget worksheet due to City Manager
March 25	Capital improvement forms due to City Manager
May 2	City Manager's budget to City Council
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May 4	City Council Budget Workshop – School District Presentation
May 9	City Council Budget Workshop – Municipal Departments
May 16	City Council Budget Workshop – Municipal Departments
May 23	City Council Budget Workshop – Municipal Departments
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June 6	City Council Meeting
July 11	City Council Meeting

Milner read from the below slides on the city's strengths and mentioned that there are a *lot* of strengths that this city has. Grants are handled very well and in a way that continues to get us more and more funding.

Milner also added that legal **debt** limits are set by the State of New Hampshire under RSA 33 and are calculated on the individual community's assessed valuation as approved by the State of New Hampshire Department of Revenue Administration. There are three bonded debt limit margins: general, school, and water. The general fund debt limit is 3% of assessed valuation with landfills being exempt from the calculation. School related debt is limited to 7% of assessed valuation. The water fund is limited to 10% of assessed valuation while the sewer fund has no legal debt margin.

The City's current debt as a percentage of assessed valuation is as follows: General 0.18%, School 0.37% and Water 1.09%.

FY2023 Manager's Budget Proposal - Strengths

- Good Stewardship:
 - 6th year of budget format that closely mirrors GFOA Distinguished Budget
 - Use one time revenue for one time exp or losses
 - Last 10+ years of audited financial statements have an unqualified audit opinion from an independent CPA – highest opinion received, often called a "clean opinion"
 - Most of last 10 years, City qualified for a single audit (>\$750,000 expended in federal grants), more stringent audit always received "clean opinion"
 - Just under \$2m in current year grants managed (just includes current year portion of multi year grants)
 - Prudent Debt Service management - % of assessed value & rate shopping
 - Effective Cash Management – avoids TAN and RAN; maximize returns
 - Fund Balance Reserve, sometime referred to as "rainy day fund", has been increased every year by municipal departments through good budget management to move toward the required 15% of expenditures per code

Mayor Brown asked Milner how many grants she is managing as of right now.

Milner answered that she is managing 36 grants with not all being federal, but for the most part they are.

Milner read the next slide on the general fund seen below, explaining that the total general fund budget comes to \$33.6 million dollars. The school district presented their \$19.1 million dollar budget on May 4,

2022 and the balance of \$14.5 million dollars will be presented by the municipal departments tonight, May 16th and May 23rd.

FY2023 Manager's Proposed Budget – General Fund

- Supported By City Taxpayer along with Federal, State, Charges for Service and other revenues
- FY2023 General Fund Budget:
 - \$19.1m School District
 - \$14.5m Municipal Departments
 - \$33.6m Total GF budget
- School District was presented by Superintendent LeGallo to the City Council May 4th
- Municipal Departments – tonight's focus (5/16, 5/23)

With that total general fund budget of \$33.6 million dollars, other revenues support the budget, leaving taxes at \$17 million dollars. This is shown in the below slide:

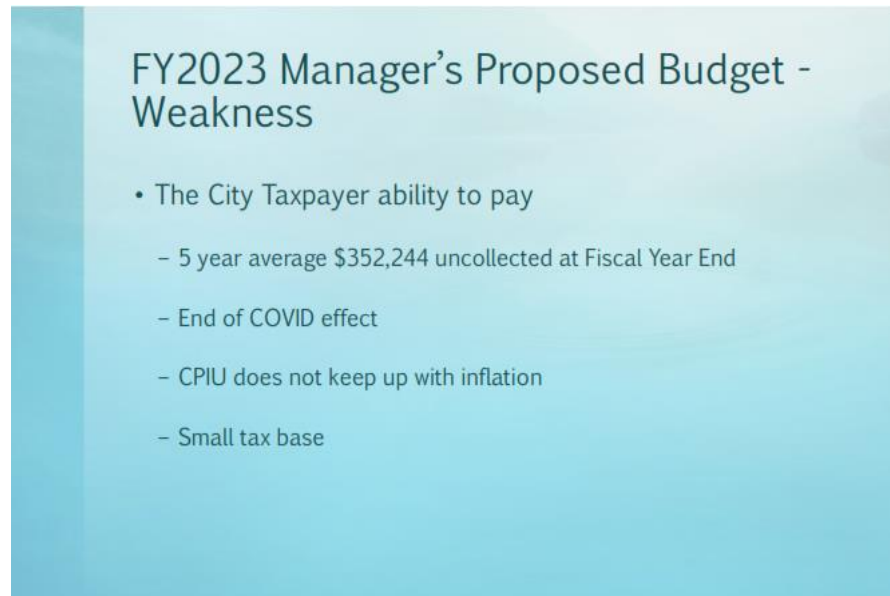
FY2023 Manager's Proposed Budget – Taxes

Property Tax Support For:	Amount	% of total	How does this look on my tax bill?	
School District Operations	6,168,424	35.9%		
Merrimack County	1,851,087	10.8%	Statewide Education	886,084
Veteran's Credits	136,325	0.8%	School	4,943,755
Overlay	31,000	0.2%	County	1,851,087
Municipal Operations	8,899,312	51.8%	Town	9,066,637
Tax Increment Financing Districts	83,785	0.5%		
Total City of Franklin Property Tax	17,169,934	100.0%	Tax Increment Financing Districts taxes are paid by the taxpayers in the district who have added value to that district since inception	
Increase over prior year taxes	\$ 1,123,267	7.00%		

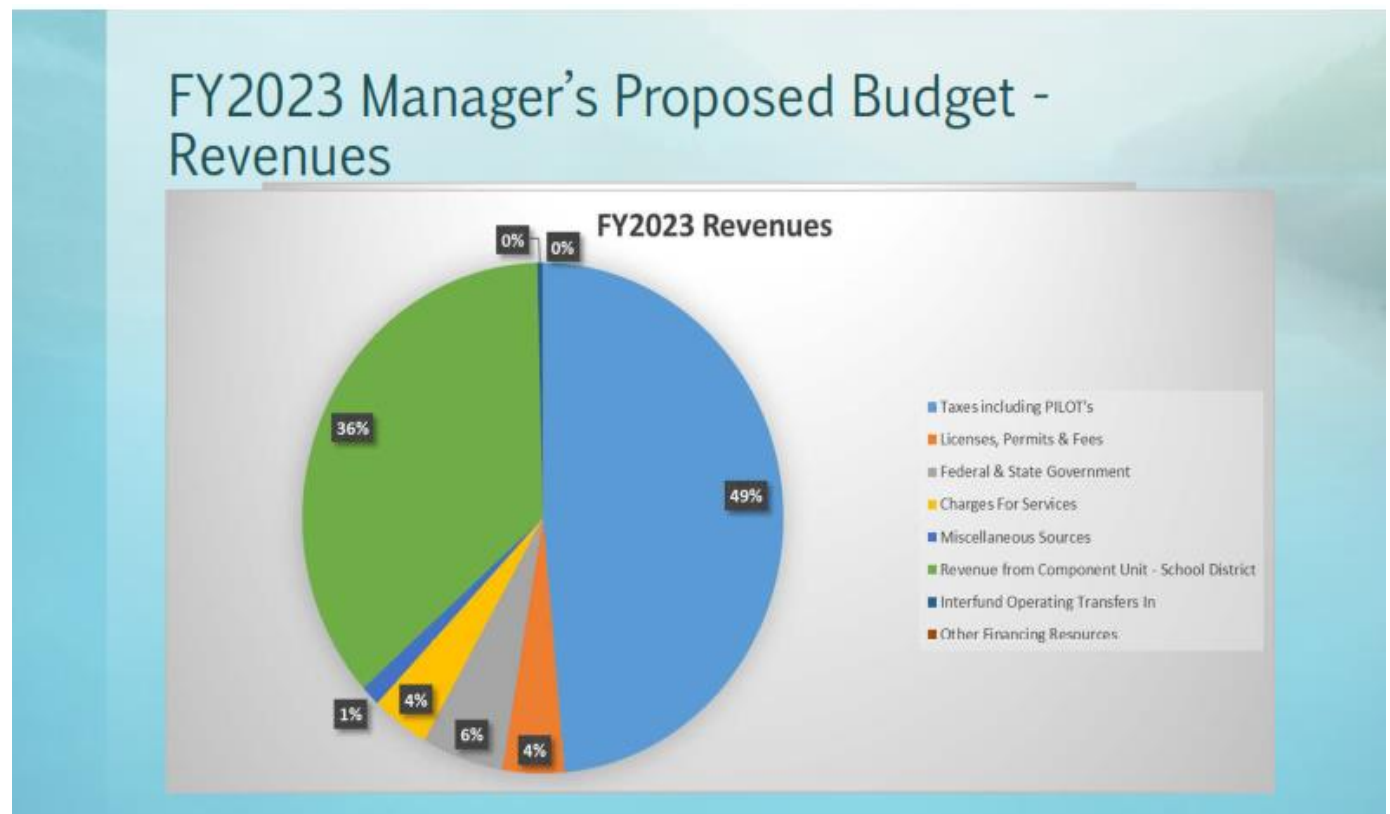
This amount includes the tax that we collect for Merrimack County.

The taxes will be slightly different this year than next. For the Statewide Education and School in blue it will usually add up to the \$6.2 million. This year it will not. It is less by \$338,585 because the State Legislature has decided to make a one time payment to Franklin citizens into the Statewide Education tax. Because of this, the tax amount due next year will be higher since that difference will then go back to being paid by the citizens of Franklin. This will probably come up as a question next year.

Milner went over the weaknesses shown in the next slide. The end of Covid effect is something to be concerned about since there was a lot of influx that helped people pay for things during the pandemic that will be now going away.



Milner then moved onto revenues per the below slides. The following pie chart of revenues does include the school district as well.



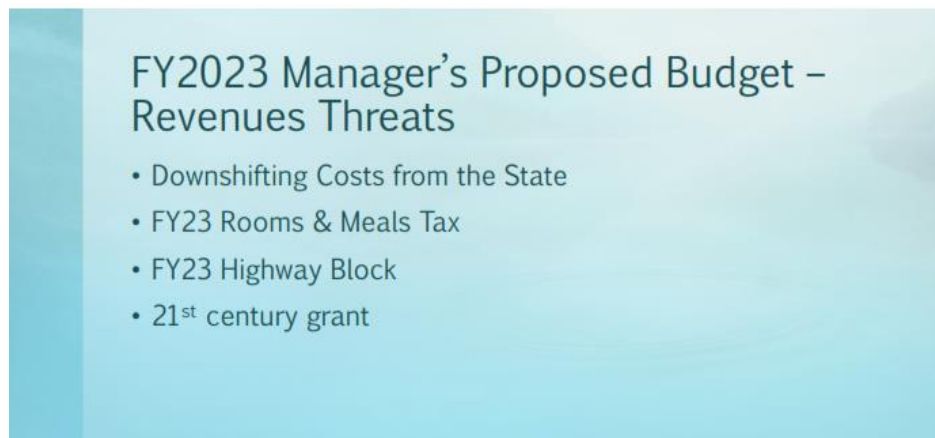
The below slide shows revenue threats, which are on the school district and city side.

Milner stated that the NH Retirement System used to be paid 35% in the State of NH, but that is no longer. This effect on the school district and the municipal departments annually is about \$1.3 million dollars. That has trickled down from the State of NH to the local tax payer on an annual basis.

In addition, the Governor had announced that he was going to be giving a summer holiday to the meals and rooms tax in the state. Milner is not sure if the Governor is going to take the hit on the 70% of that amount or if that will be on the city to pay back. She is still waiting to hear on that. There was no change made to the rooms and meals tax based on this.

The highway block is based on the gas tax and with gas prices nearing \$5/gallon this is one Milner is nervous about as well.

Milner is very hopeful that the city will be able to get the 21st Century grant again. This is dependent upon the Parks & Recreation department. This grant is integral for the school district as well.



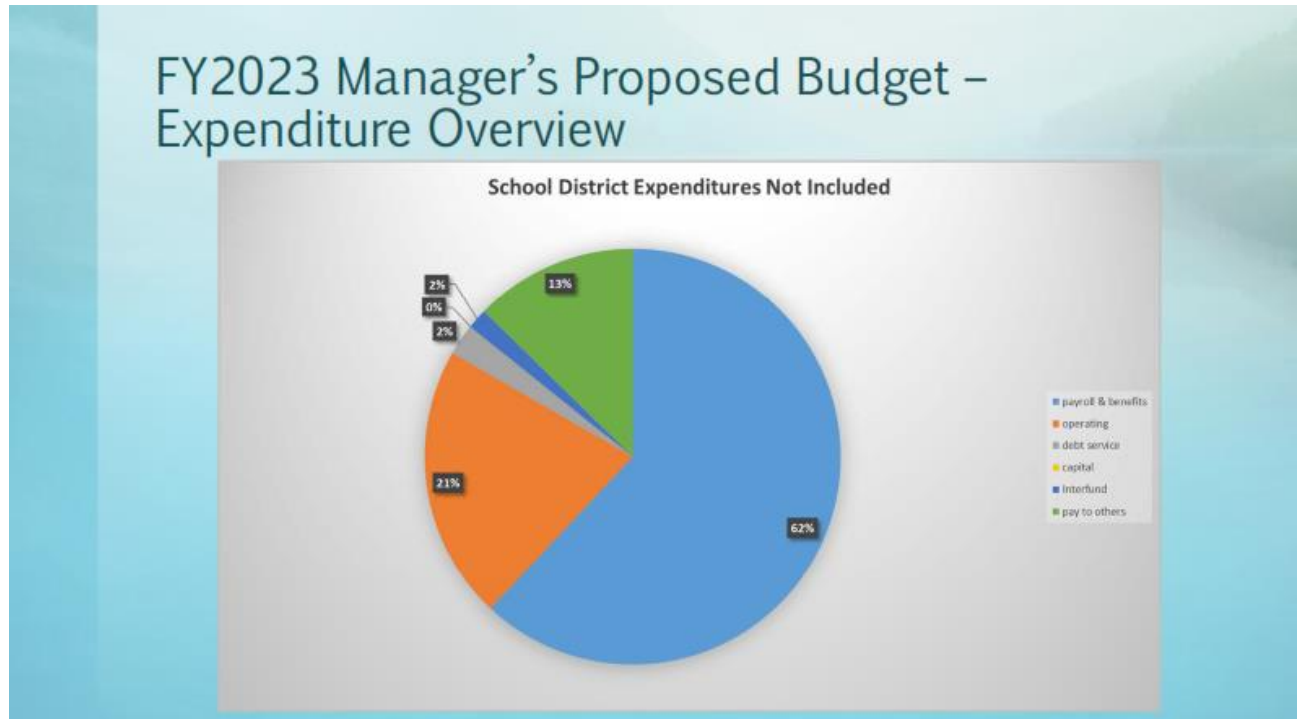
Milner stated that the revenues start on page 95 of the FY2023 Manager's Proposed Budget.

Page 5 shows fee changes per Ordinance 02-23 that she is recommending and is built into the proposal. There are some fee changes at the transfer station and quite a few in Planning & Zoning.

The second tranche from ARPA funds is coming in August in the amount of \$454,667. The first tranche went towards water projects and a Broadband study. This second tranche has the entire amount going towards the line for roads in the budget.



The next slide showing the expenditure overview does not include the school district. Milner pointed out that our payroll and benefits mirror the school district. This may be slightly diluted because of that ARPA funding that was just talked about.



Milner stated that the city's biggest strength is their professional staff. The city would not be where they are today without their staff.

In page 60 of the FY2023 Manager's Proposed Budget packet starts with the payroll. Because COLA increases and step increases had been taken away in the past few years to keep within the tax cap, Milner stated that they wanted to focus on the dedicated staff in this budget.

FY2023 Manager's Proposed Budget – Payroll & Benefits (Strengths)

- Your Professional Staff
- Your Dedicated Employees = YOUR GREATEST ASSET



Milner explained the below slide.

Many departments are understaffed and there is an increase in calls for service. There is an aging workforce and no replacements. The younger generation wants recognition for work well done along with flexibility and more time off. They want a more balanced life.

The pay and benefits are no longer competitive with other communities anymore. The 100% paid benefits are no longer a huge benefit to employees, especially with the retirement that is being lost.

The last Pay & Class study was done in 2014 and we are still trying to get to the level of 2014 pay. It's 8 years later and not everyone is at that level still. A new Pay & Class study is being done as of right now. Milner stated that she was not able to add the 7% COLA to this budget, but has added 5% and step increases for the employees who are under their top step.

Milner answered Councilor Zink's question stating that there are 24 employees that are at the top step of their pay grade, which makes up 26% of the city's staff.

FY2023 Manager's Proposed Budget – Payroll & Benefits (Weaknesses)

- Number of Employees
- Aging Workforce
- Employee Pay
- Employee Benefits
- Combination of Employee Pay & Benefits

FY2023 Manager's Proposed Budget – Payroll & Benefits Weakness – Forward Movement

- Recognizing our **employees** are our greatest **asset**, the managers proposal includes:
 - 5% COLA (all employees)
 - Step increases (employees under step 12)
 - No Change in benefit cost share
 - Change in plan design to more closely mirror surrounding communities
 - Funding for Pay, Class & Benefits Study

Milner went over the positions in the next slide and the changes proposed.

FY2023 Manager's Proposed Budget – Positions

- 96 regularly scheduled, 2 are K-9's, 1 is 100% grant funded, 2 remain unfunded (from FY14)
- Police Sergeants
 - Eliminated 2 part time positions to create 1 full time police sergeant – scheduled short each week
- Account Clerks – fire, msd, police
 - Regraded to admin secretary
- Account Clerk – planning & zoning
 - Part Time to Full Time

The below slide shows the changes in payroll and benefits from FY20/21 to FY22/23.

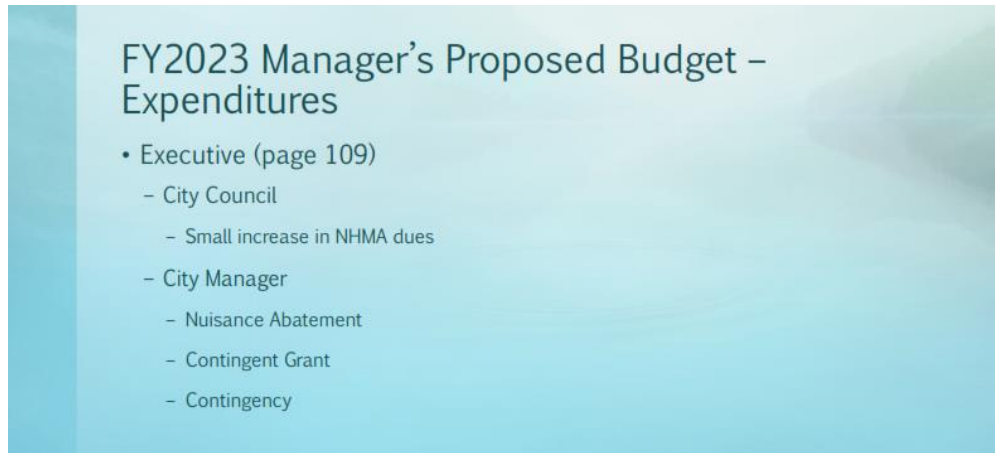
FY2023 Manager's Proposed Budget – Payroll & Benefits

- Payroll Expenditure Changes:
 - Health 8.49% increase
 - Dental 0%
 - Short/Long Term Disability and Life 0%
 - No change in social security or medicare
 - Unemployment 10.1%
 - 9.1% Increase in Worker's Compensation
 - New Hampshire Retirement System – no change form FY22 budget

Category	FY20/21	FY22/23
Employee	11.17%	14.06%
Teacher	17.80%	21.02%
Police	28.43%	33.88%
Fire	30.04%	32.99%

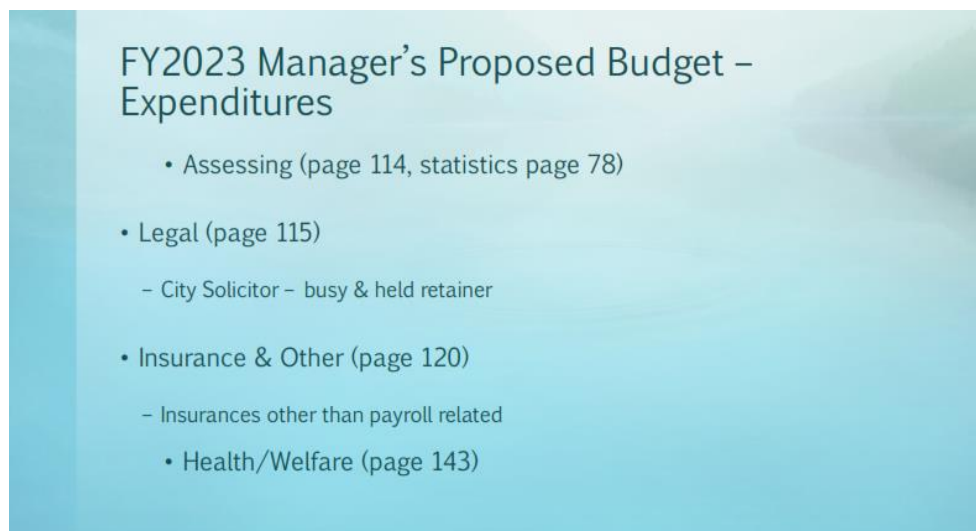
Milner went over expenditures that are on page 109 of the budget packet. These all have small increases.

She did explain the Nuisance Abatement. This is when there are tax deeded properties that need to be taken down or that can be used under RSA 155 that can't be inhabited. The Contingent grant was put in place in FY2020 and that line is also in and out.



Milner moved onto the next slide and started with Assessing. Page 114 in the budget packet has the majority of Assessing. This year shows a revaluation since the city is up for a revaluation this year. Last year, in the FY22 budget, \$50,000 had been put aside in the Capital Reserve fund to go towards this. You can see the transfer in from that fund to go towards this revaluation for FY23.

Milner moved onto Legal, which is in page 115 of the budget. The city solicitor has been working for the city since 1978 so she sees this as another threat as the city will need to hire a new solicitor soon. She is not sure that they can secure anyone else to work for the amount that City Attorney Fitzgerald has. He has held a retainer for the past 10 years totaling around \$28,000 (with some things falling outside of the retainer), even though he has been several times busier with economic development movements. That is something that they will need to think about in the near future.



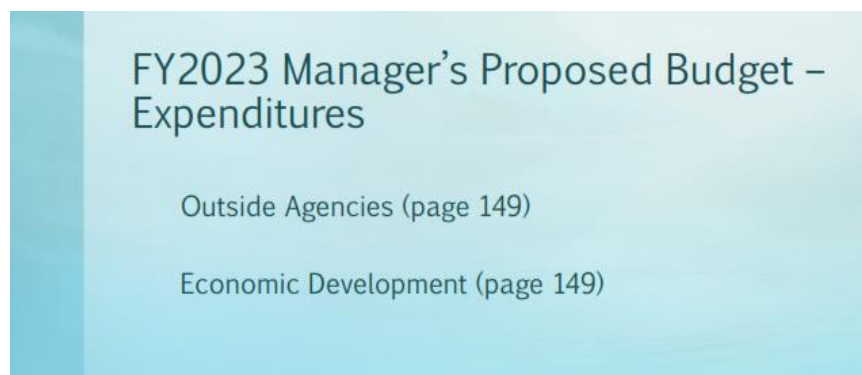
On page 120 of the budget packet, it shows insurance and other, which is property liability insurance, cyber insurance and all of the things not related to payroll. This has gone up slightly, which is expected.

For Health and Welfare on page 143 you will see that there is funding for the typical agencies, which are the VNA, the TRIP Center and the Animal Shelter. The one new add is for CASA for \$500, as they asked for funding and they do show a lot of support.

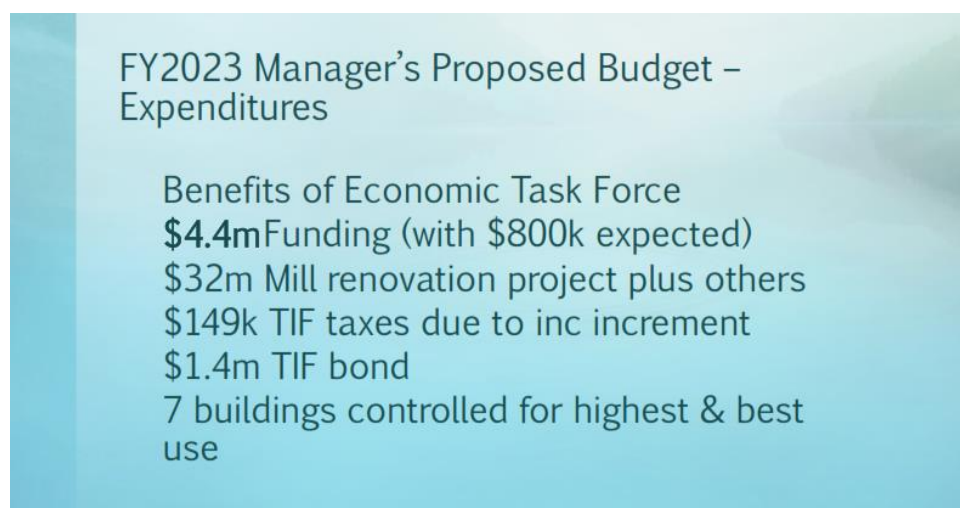
The Mayor's Drug Task Force is 100% funded by a federal grant.

Welfare is another one of the city's threats. Milner stated that she is being cautious about reducing the budget in Welfare, even though nothing has been spent because there are still a lot of programs through the state of NH. With the one-time ARPA funding that the state has received they are helping residents to pay back rent, back mortgages, utility bills and all of the things that normally go through our Welfare department. Milner is expecting to see some expenditures after Covid funding runs out.

Milner went onto the below slide mentioning that outside agency funding is on page 149 and the economic development lines are on page 149.



The below slide goes over the benefits of the Economic Task Force. Milner also spoke about the old Toad Hall building having a new restaurant coming in there soon and the apartments above have been sold and renovated, which look absolutely gorgeous inside. There have been a few other restaurants that have opened up so the ball is rolling on bringing more business into Franklin.



Milner stated that there are a few new items in Debt Service, on page 150, that she wanted to point out. One is payment for three new vehicles, two for Code and one for MSD. Also, one backhoe for MSD.

For Capital, Milner wanted to remind the council that the second tranche of direct American Rescue Plan Act money, of approximately \$454,000, is included in this budget proposal under roads. There is also a transfer to the capital reserve fund for BRCC and Dispatch Center. The dispatch center is new and only represents a partial year in the current budget, as the towns Franklin serves are on a calendar year budget vs. our fiscal year. FY2024 will see an annual number for the dispatch center.

There was a discussion about the costs of the new vehicles. Fire Chief Foss did say that he would bring in the exact numbers to the next meeting for the council to review.

Milner also stated that the 5 year CIP meeting is being held on May 24, 2022 in the Public Library.



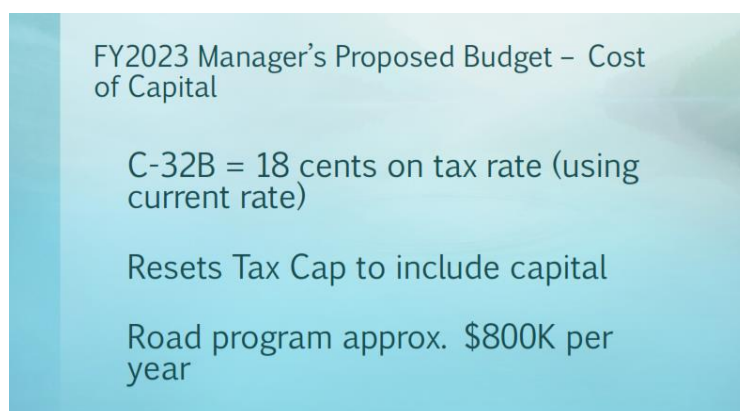
Milner went onto the below slide and stated that Franklin does have a tax cap and the city doesn't utilize all of the pieces of the tax cap. There has been an increase from the public about getting roads repaired, but it hasn't been possible to do a lot within the tax cap. There is a portion under C-32B that only the council can implement. This is not a part of the City Manager's Proposal, as the tax cap can only be reset by the council. Below are some ideas for the council to consider in support of a roads project.

Currently, each \$100,000 outside of the tax cap is .18 cents on the rate, based on a current tax rate of \$23.21. This is \$18 per year for each \$100,000 in assessed value.

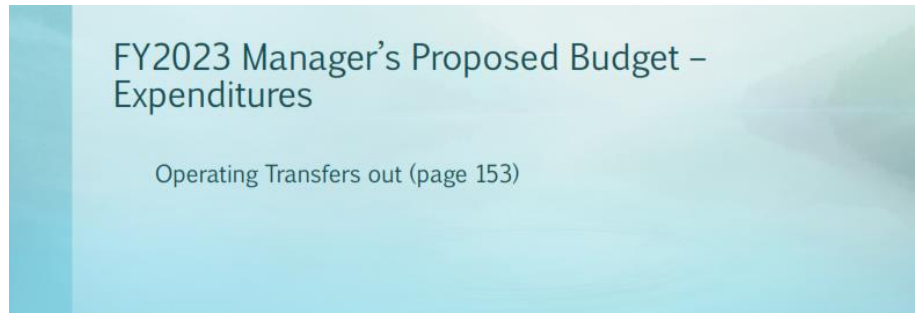
To get an extra \$800,000/year the tax rate increase would need to be \$1.44 on the rate, which is \$144 per \$100,000 of assessed property value. This would be a one-time reset.

Another option would be to leverage with a \$9.5 million dollar bond with \$800,000/year at 3% interest for a road program. This would be a 20-year bond for a roads project.

The threat is the rising interest rates. It could be much higher if they wait on this for much longer.



Milner went onto the below slide stating that operating transfers out to other funds is on page 153. The capital reserve funds are at \$1 million dollars as of April 30, 2022. This goes towards the Bessie Rowell Community Center and other community items.



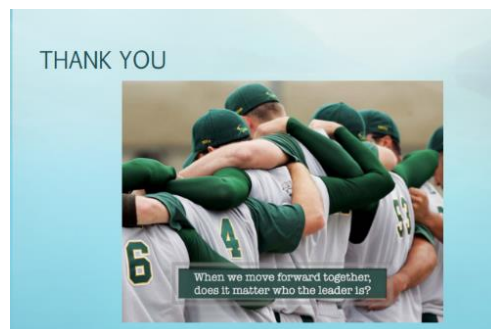
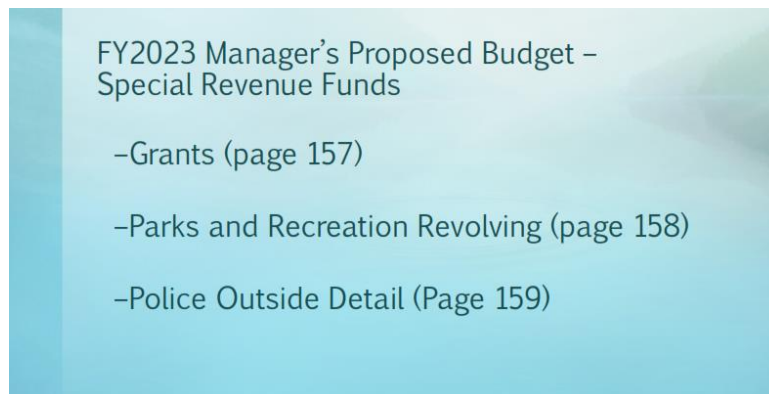
Other special revenue funds that are prorated and these are not supported by tax payer's dollars.

For grants, CBDG grants are an example of what falls under this revenue. The rest can be seen on page 157.

For Parks & Recreation, this is a revolving fund and they generate revenues that are then appropriated to city parks and aids in grants that they receive. They have a fee-based revenue that comes from their programs. This also is not tax payer based.

For police outside detail, this is on page 159. OS detail is paid at \$69 per hour.

The balances are \$24,000 for Parks & Recreation and \$56,000 for Police.



Milner thanked everyone for listening and wanted to give a recap that each of the departments, minus Municipal Services, would be presenting their budget at the meeting next week. They will be hearing from Municipal Services on the 23rd.

Mayor Brown thanked City Manager Milner and asked if there were any other questions or comments.

There was no further discussion.

Mayor Brown adjourned the meeting at 7:30 p.m.

Respectfully submitted,

Lisa Jones
Executive Secretary