

TOWN OF SEABROOK
BUDGET COMMITTEE
JUNE 25, 2009

PRESENT: Paula Wood, Don Hawkins, Peg Weare, Ivan Eaton, Aboul Khan, Cora Stockbridge, Richard Maguire and Gary Pitts

ALSO IN
ATTENDANCE: Barry Brenner, Town Manager

P. Wood opened the meeting at 6:04 PM.

Minutes of 4/16/9 Meeting

Motion:	P. Wood	Accept minutes of 4/16/9 meeting with the following changes:
Second:	C. Stockbridge	Page 1, last topic, 2 nd paragraph insert "said"
Yes:	Unanimous	Page 2, paragraph 5 – "because it is this year's budget" Page 3, first motion – "forward question to town manager to have him answer" Page 4, paragraph 5, 2 nd line – 273A

Minutes of 4/16/9 meeting accepted with changes noted.

Fraud Risk Inquiries Questionnaire from the Auditors

P. Wood stated that she had forwarded this questionnaire to all members because she was concerned that it was sent to her alone. She said that she had spoken to the auditors about the confidentiality of this questionnaire due to the fact it was sent to her by name. She also questioned the legality of the questionnaire. She stated this is new over the past couple of years due to new laws.

C. Stockbridge stated that the Budget Committee is concerned with risk of fraud in the town. She stated that if they had any knowledge of it they would have to report it. She had concerns with the wording of the questions. She asked if it was the auditor's job to keep any eye on any possible fraud because that is what the town pays them for.

P. Weare stated in some towns fraud has occurred and that the town manager and board of selectmen are watching the town's money.

I. Eaton pointed out that if fraud is going on the Attorney General's offices, not the budget committee.

P. Wood asked the town manager what was paid for the audit in 2009.

B. Brenner stated the amount was \$26,000. He also pointed out that this questionnaire was sent to the town manager, board of selectmen and budget committee. He said that this type of request is a result of GASB changes that have taken place over the past four or five years. He said this is a requirement of all auditors who audit municipalities.

P. Wood asked why the questionnaires were just being sent out now if the regulations were in place several years ago.

B. Brenner stated that this was phased in over time and that they were relatively new standards.

P. Wood said that she had asked if the town or auditor's attorneys had looked at the questionnaires and was advised that they had not. She said that she brought the questionnaire to the budget committee because she alone does not represent the committee.

P. Weare said that she thought this was to help improve and make sure procedures were good.

D. Hawkins stated that letters like this are not unusual in audits of private companies. He said that all accounting is the same.

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P. Wood pointed out that town government is different from the private sector because of the laws. She also said that a questionnaire had gone to D. Hawkins.

D. Hawkins stated that he intends on answering the questionnaire and letting the auditors that he is doing so as an individual and not the budget committee. He said this is not a finger pointing exercise.

P. Wood stated that the questions were for the budget committee and not individuals.

I. Eaton stated that if the concern was for the budget committee as a whole it should not have been sent to just a couple of members.

P. Wood, C. Stockbridge and P. Weare all agreed that this questionnaire should have gone to all budget committee members.

P. Wood said that she did not think it was random if there were names on the paperwork and it should be sent to members of different factions also.

C. Stockbridge said that answering this could be libel and that any errors might not mean fraud.

A. Khan stated that if fraud was suspected it could be questioned at the budget hearings.

C. Stockbridge that she would not say yes to something she suspected and would have to make it known to someone.

Meeting with Town Manager Barry Brenner

#1 – Police Department

B. Brenner stated that he had received the request dated 6/1/9 for more information on this item. He pointed out that he recently supplied the budget committee with the CIP for 2009 and the police department report dated 4/21/9.

P. Wood stated there was concern with the wording of the warrant article. She pointed out that it was for renovations not \$20,000 in furniture. She said that if the intention was a warrant article for furniture then it should have been stated in the article.

C. Stockbridge stated she was interested in the furniture on the first floor. She wanted to know if the first floor furniture was moved to the second floor how was the first floor furnished.

B. Brenner stated that he was not sure. He said there is equipment there but he was not sure how much. He stated the project was detailed in Chief Manthorn's report.

A. Khan stated that most of the rooms on the first floor were empty because the furniture had been moved upstairs.

C. Stockbridge stated this was to make room for offices on the first floor.

P. Wood stated she was still concerned because when the warrant article went before the voters the work had already been started and some items purchased.

D. Maguire asked who drafted this warrant article.

B. Brenner stated that he did from the CIP.

D. Maguire stated that this was misleading because renovations were done before and the article was to be used to furnish areas. He stated that he was surprised to see in the memo from Chief Manthorn that the work was done for the renovations.

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P. Wood stated that she had issue with things being done before the warrant had gone to the voters.
B. Brenner pointed out that the memo from Chief Manthorn detailed the work done.

P. Wood questioned who approved the spending without an appropriation. She asked if the town manager had approved the money.
B. Brenner stated it came directly from the 2008 police budget. He also said that all bills are reviewed when sent up for payment. He stated the money came out of the operating budget.

P. Wood asked what other warrants articles were done before the vote.
B. Brenner stated money is spent as needed by departments.

P. Wood said that point is the money was spent before the warrant article went to vote. She stated it was putting the cart before the horse. She said these items were not budgeted for but purchased.
B. Brenner said the spending came from the CIP prepared by the planning board, board of selectmen and town manager. He said it identifies timing, need and cost of projects. He said the police department got a head start.

P. Wood asked what the money would have been used for if the warrant article had passed.
B. Brenner stated that would be a question for Chief Manthorn.

P. Wood stated that would be a question to the town manager because he approved the spending and wrote the warrant article.
B. Brenner stated that they were looking for \$22,000 to get the project done and that no money would be spent beyond that amount.

C. Stockbridge wanted to know what the intent of the warrant article was.
B. Brenner suggested having Chief Manthorn come to a future meeting.

P. Weare asked if the money start the project in December came from the 2008 budget. She stated that the article probably should have been worded as furniture.
B. Brenner stated it did. He agreed that maybe the wording should have been different.

P. Wood asked if the CIP had been available at the deliberative session. She stated that if the general public did not know there was a CIP then they would not know to look for it.
B. Brenner stated that it was not but is available at the town hall. He said the CIP would be made available in the future.

P. Wood asked if there was discussion at the deliberative session about the \$20,000 and furniture.
B. Brenner stated that he did not recall any discussion on this article.

P. Wood asked if the budget committee wanted to have Chief Manthorn come to a meeting or was the issue all set.
D. Hawkins stated that the memo from Chief Manthorn was clear. He said that maybe the wording of the article was incorrect and that some of the money was spent out of the 2008 budget.

C. Stockbridge stated that the police department turned money back to the town from the 2008 budget. She also said she was curious about any more construction on the second floor.

P. Wood stated that she will be very leery of warrant articles brought forward this year. She said she will ask if the work has been done before the fact. She also said that she wants the article to state truly what it is for.

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#2 Contracts for Default Budget

D. Maguire stated that RSA 40:13 controls the default budget. He handed out a copy to all members. (See Attachment A). He read from the RSA. He also handed out some pages from the 2009 default budget.

D. Maguire questioned the increase in Department 110, Line 130.

B. Brenner stated this was the default number of the pay to the board of selectmen. He said that there was no increase in rate of pay. He pointed out that some of the default figures in the 2008 default budget were questionable. He said that the 2009 default figure for this line matches the exact expenditure for 2007.

D. Hawkins said that the default budget figures should be from the year before unless there is a contract in place, not just what is spent.

B. Brenner read the line on the State of NH MS form, which states what the default budget is. He said that RSA 40:13 mandates the default budget.

P. Wood said that whether the numbers in the 2008 default budget were right or wrong the town manager or board of selectmen could not change them. She said you cannot go back and correct the figures. She asked where in RSA 40:13 covered the board of selectmen salaries.

B. Brenner stated it was a town obligation.

P. Wood stated that there was no increase if it was a default budget. She said that the RSA does not give authority to change it. She stated that errors in 2008 default should have changed the 2009.

B. Brenner stated he was not at the meeting to debate the issue. He said he was at the meeting to explain how the default budget was prepared. He stated that obligations have to be taken care of.

D. Maguire stated that he had done a study of the budgets over the last five years. He said the 2008 default budget numbers should be the same ones used in the 2009 default budget. He said he feels the board should move forward with issues at hand.

A. Khan advised that before the vote on the budget, the board of selectmen refused any pay increase.

D. Maguire had questions about Department 120, New Equipment line. He said that his judgment the money should not be in the default budget if it was not needed.

B. Brenner stated that there had been no detail in the 2008 budget and it had not been spent.

D. Maguire stated that if the money was not needed it should not be in the default.

P. Wood said it was difficult to swallow that there would not have been any backup for the new equipment in the 2008 budget. She said she agreed with D. Maguire on this issue.

D. Hawkins stated that the library budget is also default and there is \$18,000 for equipment maintenance. He wanted to know why the number was still there if they were committed to this figure.

B. Brenner said this is a statewide issue. He pointed out that the explanation of the default budget is in a single line on the State of NH MS forms. He said that before SB2 the budget was set at the town meeting. He said that at the town meeting the budget could be amended. He said that the SB2 changed the budget to a ballot vote. He said that there is town manager, board of selectmen and budget committee review before the ballot vote. He also said that SB2 sets up guidelines for default budget. He advised that this was the first time he had worked on a default budget and he had spoken with several other town managers in the state for guidance. He said that some lines are contractual and some are discretionary.

D. Maguire commended B. Brenner is seeking assistance in this area. He said that speaking for the residents in the beach area, he feels that SB2 is good because not all residents can attend the town meeting. He said that the state has guidelines for preparing the default budget and he has an idea of what a contract

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is. He stated that he was interested in the 110-salary line increase but there was no contract and it should not have fallen back to the default number. He said in department 220 – gasoline there is no contract.

B. Brenner said when putting the default numbers together he thought there was a contract as other municipalities have, however Seabrook does not.

P. Wood said that certain line items were in question and wondered why there were no contracts.

B. Brenner stated that the numbers might not change. He was unsure whether or not contracts were involved when figuring the numbers. He said that without contracts he based the costs on the current rates.

P. Wood stated that a contract is set to a certain price for a safeguard. It helps get actual figures in a budget. She thought you could have contracts with vendors because without a contract prices and increase without notice.

B. Brenner said that there are different interpretations of this. He said that to get to the default numbers for the 2009 budget he had spoken to several different municipalities.

C. Stockbridge read RSA 40:13. She stated she believed that town had always budgeted default budgets without contracts in previous years. She felt that DRA would be helpful to talk to. She pointed out that part-time employees are at-will employees and the town is not obligated to these positions.

B. Brenner stated that these are employees hired by the town. He further stated that they could agree to disagree on these items. He also read the portion of RSA 40:13 which is on the MS forms which dictates the budgets and default budgets.

P. Wood stated that last year she had questions about the inconsistencies in the default budget numbers and had questions DRA and NHLGC. She said she will contact them again.

B. Brenner pointed out that if you speak with different people you will get different answers or interpretations.

D Hawkins stated that he had spoken to three different attorneys at NHLGC who all agreed. He said they all said a clear default budget does not include things without contracts.

B. Brenner stated he had spoken to multiple municipalities on how to get to the default numbers.

C. Stockbridge said that the gasoline had been adjusted to current figures. She stated the default does not say to adjust to current figures. She said that if the law were that broad things could change.

D. Hawkins stated that the default budget is only \$43,000 less than the proposed default. He said that this number does not reflect what was voted on. He said that he stood corrected.

B. Brenner stated that the difference is \$80,000 not \$43,00.

C. Stockbridge said that if there were money problems there were always ways for relief. She said that the default budget is not discretionary. She suggested that a request be made to DRA and NHLGC to come and speak to the Budget Committee.

D. Maguire stated that the letter should make it clear that the committee is not accusing anyone but that they are looking for guidance. He stated that all members had questions on the default.

I. Eaton stated that the town manager had stated he had not worked in an SB2 town before and felt that some education in this would be helpful.

A. Khan stated that the word investigate should not be used in the letter.

Motion: P. Wood Draft letters to DRA and NHLGC to come to speak to the
Second: C. Stockbridge Budget Committee to explain default budgets
Yes: Unanimous

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P. Wood will draft a letter to DRA and NHLGC requesting they come to speak to the Budget Committee to explain default budgets.

#4 Employee Contracts

D. Maguire felt that there would be no good discussion on contracts due to the fact that the members had not had time to review them. He suggested discussing these at a later date.

Motion: P. Wood Take a short recess
Yes: D. Hawkins
Yes: Unanimous

Meeting reopened at 8:15PM after short recess.

#3 Library Default

P. Wood questioned a contract for heating oil.
B. Brenner stated he would get the answer for that.

C. Stockbridge asked if there were contracts on equipment maintenance.
D. Hawkins stated if there were no contracts in this area they should not be in the default budget.

I. Eaton questioned who this budget should be discussed with.
P. Wood asked who prepared the library budget.
C. Stockbridge stated she believed it was the library director and trustees.
B. Brenner stated that he worked with the library on the budget. He stated in lines 430 and 510 the moneys had been redistributed but were all still there. He said in the 2009 budget the library was looking to reclassify the line items.

P. Wood stated that when there is a default budget it should stay the same as the previous year. She questioned why the lines had changed.
B. Brenner stated he was just pointing out that some things had been reclassified.

D. Hawkins asked why the part time line had increased if these were not contractual. He said that overtime and part time should not increase in a default budget.

P. Wood stated that part time cannot increase because it is not contractual.
D. Hawkins stated that the default budget was more than the 2009 request. He said there was something wrong with this methodology.

Motion: I. Eaton Ask the Library Trustees to come to speak to the Budget Committee
Second: P. Wood
Yes: Unanimous

A request will be sent to the Library Trustees to speak to the Budget Committee.

#4 Employee Contracts

P. Wood pointed out that there was a lot of information from all of the contracts. She stated that the police department had a sidebar on the last two pages of their contract. She said that according to the contract there had to be a letter from either side terminating/canceling the agreement. She said that the sidebar should not have happened.

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B. Brenner stated that there was no termination letter but there was notice to bargain between the SPA and board of selectmen.

P. Wood said that there were costs to the town for details. She stated that at a past board of selectmen meeting the finance director had stated that detail billing covered not all items. She said she had requested that the costs for this be looked at.

B. Brenner stated that on this issue they could agree to disagree. He stated that finance advised that the fees received covered all direct costs for details.

C. Stockbridge stated she has been involved with union matters in the past. She said matters must be voted by the town and contracts have been defeated in the past years. She pointed out that you cannot give money to something that has been defeated by vote. She believes this is a violation and illegal. She had concerns about the revolving account for the police department details. She stated that July 1st was the cut-off date. She stated that the detail account defaulted to \$200,000 and the \$113,000 moved to the revolving account was not legal.

B. Brenner stated that the side bar agreement is legal and was reviewed by legal counsel with the RSA's. He also stated that the revolving funds account had been appropriated at the town meeting. He said that the money would be transferred from the general fund to the revolving account. He pointed out that the money for police hire is in the budget that is voted on by the town and the money would just be transferred from one place to the other.

C. Stockbridge questioned the ambulance fees.

B. Brenner stated it was in the general fund and moved to the revolving account.

P. Wood said the next meeting should be scheduled for July 30th.

Motion: D. Maguire No Budget Committee meeting in July and August
Second: D. Hawkins
Yes: D. Maguire, D. Hawkins, A. Khan and P. Weare
No: P. Wood, C. Stockbridge, I. Eaton and G. Pitts

Motion failed

C. Stockbridge suggested scheduling the next meeting once DRA and NH LGC had been contacted and advised when they would come to a meeting.

D. Hawkins said the committee should just meet when we heard from DRA or NH LGC.

P. Wood stated that the next meeting would be scheduled for August 20, 2009 unless NH LGC or DRA could meet earlier.

D. Maguire stated he already had another commitment for that date and would not attend the August meeting.

Motion: P. Wood Adjourn
Second: G. Pitts
Yes: Unanimous

Meeting adjourned at 8:55 PM.

Signed: _____
Paula Wood, Chairman

Date: _____
PW/jp