

**LOWELL TOWN COUNCIL
WORK SESSION
2016 BUDGET REVIEW
JULY 13, 2015**

A work session of the Lowell Town Council was called to order on Monday, July 13, 2015 at 6:00 P.M. by President Christopher Salatas. Members present were Craig Earley, LeAnn Angerman, Donald Parker, Christopher Salatas, and Edgar Corns. Also present were Clerk-Treasurer Judith Walters, Town Attorney David Westland, Building Administrator Tom Trulley, Public Works Director Greg Shook, Financial Advisor Greg Guerrettaz, two members of the media, and one interested citizen.

President Salatas stated he had been with Mr. Guerrettaz and Clerk-Treasurer Walters since 10:00 AM going over the budget, meeting with the department heads, making adjustments to line items, and hearing the department heads requests as to what they need to continue operating and projects that they feel need to be completed. Mr. Guerrettaz stated our intention every year is to make this the Town of Lowell's budget and no one else's. Last year we had some good ideas that came about in August and September, so this year we are trying to start earlier with work session number one. Mr. Guerrettaz gave an overview of what he and Clerk-Treasurer Walters had gone through during the day, and stated that during the first six months of 2015, we did spend less than what the revenue was, which is good news. Mr. Guerrettaz stated the whole budget, which is an eighteen month budget, is \$2.4 million in expenses. What goes on in the first half does have some impact, but the real dividing line is what happens in the second six months of 2015 for preparation of the 2016 budget. He stated we did that next step by beginning to project the revenues and expenses for the second six months, and are currently projecting a revenue of \$1.1 million in the second half, and if we spend our entire budget of \$2,427,000, plus some encumbrances, we are on track to spend \$2,463,000 for the total year in just the General Fund. Currently it looks like the General Fund will bring in revenue of about \$2,425,000, which is not far off from the sustainability that was given to you back in February of 2015.

Mr. Guerrettaz stated one question that is asked is what new money will be received in 2016. Our total property tax levy and our 1782 (Working Maximum Levy), is \$2,840,000. This is the amount of property taxes that are brought in by the tax controlled funds. The growth quotient that was just announced, which is at 2.6%, has nothing to do with your budget, but everything to do with your property tax levy. If you take the \$2.8 million that is brought in under controlled property taxes and multiply it by the growth quotient, new revenue will be around \$73,000 in property taxes alone. He stated, "We started exploring with President Salatas what that might mean in expenses. If you look at the General Fund, it has payroll of about \$1,089,000, that does not include benefits, just payroll. If we allow a 3% salary increase, it would equate out to about \$32,000 which would spend about half of our new revenue. A few things we need to hear for certain from the Council are what the priorities are, and what you feel the budget should contain within it. We cannot hear that in September or October, otherwise it will be too late. Normally when we go through the budget process, we set priority number one, which in a lot of cases, is a payroll increase. You may have a different opinion or change your priorities, but we are trying to build a consensus. The number two priority we put in is funding of the group insurance, so we have put an estimated increase of 10% in the budget, which we are currently hearing from IACT that there will be an 8% - 10% increase. You currently pay about \$300,000 out of the General Fund for the group insurance. A 10% increase to that would be an extra \$30,000, which will eat up the rest of your new money. The third priority that we know for somewhat certain is that property insurance will be increasing by about 10%. Other priorities, an increase of about 5% - 7% for the electric bill, and budgeting for the water utility increase. All of these are considered "uncontrollable expenses", except payroll because you could decide what percentage of an increase you would like, if any."

Mr. Guerrettaz stated during the second part of the day, we sat down with all of the department heads. When we meet with them we do not tell them you have so much money to work with and nothing more, instead we work with them on line adjustments. Mr. Guerrettaz gave a few examples of how some line adjustments can be made to put money where it is needed from within the budget. Mr. Guerrettaz stated after reviewing the line items, we asked each department head what their need is over and above what they have. The Police Department requested three new police officers, but after discussion a more

realistic number was one. Mr. Guerrettaz gave an overview of the discussions that were had with the Police Department that included a new Police Pension program that would increase the Town's share by \$65,000. He also touched on the discussions that were had with Public Works, and the Fire Department. Mr. Guerrettaz stated during the discussions with Mr. Trulley, he had mentioned that he would like an inspector/assistant that would cost around \$45,000 per year, plus benefits. This is something that may be able to be shared with utilities. The next item that has been discussed quite a bit is the replacement of the Town Administrator. In 2015 there is \$17,721 that is built in to the General Fund that we are not spending. That position was paid from General, Water, and Sewer, and the portions in Water and Sewer may be a bit higher than the roughly \$18,000. These were the personnel increases that we thought we could come up with and the department heads could come up with without asking the Council what they could come up with.

Mr. Guerrettaz stated they next discussed Capital needs, and went through the list of items that certain department heads requested which included heaters for the fire beds, drain replacements in the fire beds, a new phone system for the Fire Department; a small chipper for the Street Department; and new soccer goals for the Parks Department. Mr. Guerrettaz stated there is a chance that we could use the Cum Capital Fund to purchase some of these with this year's budget, like the heaters and the phone system. Mr. Guerrettaz then explained the tax rate change from \$.86 to \$.83 per \$100 of assessed value and how it may be a good time to take out a General Obligation Bond to stabilize the tax rate, and possibly use that for some road improvements.

Councilman Earley asked if the soccer goals were the only request made by the Parks Department. President Salatas stated their main request was to not have any cuts. Mr. Guerrettaz explained that last year the Parks Department had to make some cuts to be in line with the revenues. Councilman Earley stated the Park Rec Director has been concerned about losing the ability to have a rec hall and we will not have anywhere to host our programs in inclement weather or during the winter time. The Park has been able to use the gym at the old Oak Hill School, which is going to be demolished this year. He stated he would like to see if there was something that could be done to get the money to build a rec hall in the near future. Discussion followed regarding cost and the possibility of renovating an existing building.

Councilman Parker stated we have to put a Town Manager in the budget for 2016, which would cost around \$80,000 - \$125,000 with benefits. It should have been done last year, but it needs to be done this year for sure. Councilman Corns stated he needed money to finish the Powell Ditch project. Mr. Guerrettaz stated that sounded like a stormwater project. Clerk-Treasurer Walters stated there is money budgeted for projects in the Stormwater UUtility. Mr. Guerrettaz asked if there was an idea of how much it would cost. Councilman Corns stated Director Shook suggested it would be around \$100,000. Councilwoman Angerman asked what the difference was between the town manager and town administrator. Mr. Guerrettaz stated it is just the name that you had in the budget in the past. It is for you to decide what role you would want that person to fulfill. Councilman Parker stated he reviewed the position and it looked like some of the duties of the town administrator could be fulfilled by the town manager. We could also save money in professional costs with a town manager. Councilwoman Angerman stated one of the things that she heard as a request was from the Police Department and the hiring of three new officers, but only one was discussed. President Salatas stated Chief Matson came in and forwarded the request from the Police Commission, but we came to the realization that one may be more probable than three. Mr. Guerrettaz stated we are not trying to speak for any department head, but Chief Matson believed that the pension request was just as important as the request for a new officer. Councilwoman Angerman stated in that case she would ditto Councilman Parker's request for a Town Manager in addition to the things that have already been listed. Mr. Guerrettaz reminded them that they probably will not be able to afford them all. President Salatas stated the Town Manager is top on his priority list. Between a new police officer and the pension fund; it is a question of having an officer on the street, or putting a pension fund in place that will help retired employees and current employees live more comfortably when they retire. President Salatas also stated that he would like to see some of the work at the Fire Department done this year with the money that is currently available. Discussion followed regarding the items needed at the Fire Station and the option of repairing the drains versus replacing them.

President Salatas stated one of the fluctuations, of course, is a payroll increase. Councilman Earley stated he could understand the need for a town manager in the future, but there was already a discussion had with the Council and Jim Mandon, who had been a town manager, and he believed that we were not big enough, yet. Right now, the money could be spent in other areas. He stated he agreed with getting more police officers before handling the pension fund, and repairing and maintaining the Fire Station since it is the Town's building. Mr. Guerrettaz stated one word of caution, in regards to the town manager, is that he has seen, in the past, town manager's spend money to "get things done" and add to their resume, and in turn put the municipality in a bad financial state. Not that one is not needed, but it is just a word of caution. Councilman Parker stated if the Town Council does not set some priorities and goals, we will not be in a good position. Tonight may not be the night, but we need to have the discussion and look at the budget because there is money in there that can be moved around without using the new money coming in for a town manager. He stated in the end he believed the Town would save money on professional services, and that the salary may be close to a wash with what we have and what would be saved. Discussion followed.

Mr. Guerrettaz explained that they also went through the miscellaneous revenues that may need to be increased such as the towing of vehicles, building permit fees, and park impact fees. Councilman Parker stated he would also like to have some discussions about how the town court is funded and the possibility of decreasing the funding next year. Discussion followed regarding the revenue of the town court. Mr. Guerrettaz mentioned that without a long term contract with the school system for the school resource officer, there is a possibility that, if for some reason, the school cannot pay that \$25,000 salary, it would have to be picked up by the Town.

Mr. Guerrettaz stated there were also discussions about having a policy where all departments file a budget with the Town Council so that you can answer as to what the money is being spent on. This includes all Commissions and Boards. President Salatas stated we have already scheduled another budget work session for August 10th at 6:00 PM for the entire Council. Clerk-Treasurer Walters asked if the Council would like to have a work session prior to August 10th, without Mr. Guerrettaz, in order to come up with priorities. The Council agreed that would be a good idea.

With no further questions or comments, President Salatas adjourned the meeting at 6:58 P.M.

Attest:

Judith Walters, Clerk-Treasurer

Christopher Salatas, President