

MUNICIPAL BUDGET COMMITTEE
WEDNESDAY, SEPTEMBER 11, 2019
PROFESSIONAL DEVELOPMENT ROOM
KENNETT MIDDLE SCHOOL, CONWAY, NH

Call the meeting to order

Chairman LeFebvre called the meeting to order at 3:15 p.m. The following members were present: Dave Jensen, Ellin Leonard, John Colbath, John Edgerton, Michael Tetreault, Greydon Turner, Eric Dziedzic and Mike Laracy. Also present was Town of Conway Finance Director Lilli Gilligan.

Chairman LeFebvre led those present in the Pledge of Allegiance.

Given the circumstances, Chairman LeFebvre is going to keep this meeting expeditious as possible. Chairman LeFebvre had a few comments. He is glad to see everyone here on the eighteenth anniversary of September 11, 2001 situation in Washington, DC Pentagon area, outside of Pennsylvania and of course the two planes at the Twin Towers in New York. Just informational purposes, Chairman LeFebvre was working at Fort Meyer Virginia which is less than three miles from the Pentagon and he got to see the Pentagon burn. It was a fascinating time in his life. The old guard the 3rd US Infantry was deployed to do its contingency which was the defense of Washington because we did not know what was going on. With that said, Chairman LeFebvre introduce Bruce Kneuer from the Department of Revenue Administration.

DRA Presentation

Mr. Kneuer has come up here for the third year in a row to pitch to the Budget Committee. This year is going to be a little bit differently and I will let Mr. Kneuer explain what he is going to be doing different. Chairman LeFebvre stated we are going to take a moment or two to review at some point the 2011 situation.

Mr. Kneuer questioned if anyone present is a first year budget committee member. The reason he asked is not to review things which you probably already know and spend time without a lot of gain but also to accommodate all getting used to all those laws and interplay of them. Mr. Kneuer doesn't know if he needs to summarize your roles and duties. I want to mention with respect to roles and jurisdiction. We have talked in the past the budget committee's role and its duties versus things that belong in the hands of the governing body be it selectmen or school board. Mr. Kneuer will add the role of the DRA. Principally, you're working with the DRA Municipal Bureau which is part of the Municipal and Property Division of DRA. Everything

municipal does whether it's through one of the four advisors who has direct responsibility for Conway, School District, all the Precincts and Carroll County. It also includes Mr. Kneuer at times. All five of them are operating under delegated authority from the commissioner. We keep that in mind because as far as Mr. Kneuer is concerned, if the commissioner doesn't have an authority, Mr. Kneuer doesn't want the Municipal Bureau to act where it doesn't belong. One of the great dividing lines which is difficult for every budget committee member as well as citizens is to realize the Department of Revenue does not have the jurisdiction over expenditures which is the other half of your budget committee annual life. Build the budget bring it to the governing body who is going to expend or not. It is right there, where questions arise – can they, should they, what can they do and the DRA is not empowered if they were we would not be having this conversation. The DRA would be approving and that is just not the case. The role for DRA in terms of expenditures is summed up with the nonbinding technical advice of what we have talked about the last two years. Understanding Chapter 32's sections what is the budget committee's job with respect to expenditures. You probably know firsthand the authority to ask from the governing body that detail which you think is necessary in order to review the expenditures on going versus the appropriation that had been made. Though it is not described in the statute it reasonable concern the legislators thought the budget committee is going to be able to start recommending or proposing the next budget. It is probably a good idea to see how the last one is working.

Then that famous tension between 32:22 and section 32:23 which is yes you ask, yes you compare, no you are not entitled to dispute and disagree. Mr. Kneuer is reiterating comments from the last two years. Your role with respect to expenditures has a purpose should it ever be needed section 32:23 exists. Mr. Kneuer can't tell you he has ever seen it and can't find an example of its per say and the closest he has known goes back to the 1980's and it isn't a budget committee use of the concept of somebody not obeying the budget law (i.e. spending where they shouldn't) is the basic concept.

RSA 32:22: Review of Expenditures

Upon request of the budget committee, the governing body of the town or district, or the town manager or other administrative official, shall forthwith submit to the budget committee a comparative statement of all appropriations and all expenditures by them made in such detail as the budget may require. The budget committee shall meet periodically to review such statements. The provisions of this section shall not be construed to mean that the budget committee, or any member of the committee, shall have any authority to dispute or challenge the discretion of other officials over current town or district expenditures except as provided in RSA 32:23.

RSA 32:33: Initiation of Removal Proceedings

Upon receipt of the reports provided for by RSA 32:22, the budget committee shall examine the same promptly, and if it shall be found that the governing body or town manager have failed to comply with the provisions of this chapter concerning expenditures, a majority of the committee, at the expense of the municipality, may petition the superior court for removal as provided in RSA 32:12.

The 1984 case was the Town of Pittsfield, it was the selectmen who fired a police chief and the case went all the way Mr. Kneuer believes to the superior court because the court said the firing was justified because the official had failed to obey the law. They were over spending the department budget – same concept despite repeated warnings and so forth and would a court sustain. RSA 32:23 is not actually readjusting the expenditure it is a removal from office but the

change in effect would be a violation of the basic budget law spending without the appropriation authority. Again, it is the DRA's duty to remind everybody it's there and to caution them as well as to the severity of both the process and possible outcome. John Colbath questioned that section 23 says the municipalities can petition the superior court related to improper expenditures to the budget if the town doesn't do what it is supposed to do. Mr. Colbath questioned if any budget committee has ever petitioned the superior court related to the other than the police chief. Mr. Kneuer explained the authority to utilize this law rests with this committee – the majority of the budget committee votes to invoke this law. Mr. Kneuer doesn't have a case he can share. What would happen in theory is the budget committee says give us the information pursuant to the law and it triggers some kind of question which leads to further questions and ultimately the budget committee would sit here and vote – it's almost like an impeachment charge and by majority vote say okay and present it to the governing body. Mr. Kneuer read RSA 32:3 (i.e. see above). You would present to the governing body and the budget committee would probably like some legal assistance in in approaching the court and then petition the court. Then if the court accepts it you will have a court decision on removal or not. Mr. Colbath asked why would you do this and Mr. Kneuer explained it would tear things apart, very acrimonious, you would have two attorney fees going at the same time and then there is always the possibility the judge might not find the argumentation all that convincing turning people out in office. Mr. Colbath we have a layered government that is set up and we are like the check and balance. Our finance director presents financials quarterly. Even though we are elected we don't get paid a cent to do it we come in here and do our duties. I think municipal employees like selectmen and town managers in the entire State of New Hampshire take their jobs seriously and do what they are supposed to do. As a small state, we are fortunate we all do. Mr. Kneuer agreed and the proof is in the historical record and it hasn't happened to his knowledge. This was included in 1994 when the budget laws were rewritten and it's a check and balance. Mr. Kneuer explained this is like a nuclear option. Mr. Colbath stated it's nice to know we have a statute there supporting us should we see the need to use it. Hopefully, we won't have to but it is nice to know we have the support to be able to do it. Mr. Edgerton explained he thought one year we were approached by the selectmen and school to exceed the budget and we approved it. Mr. Kneuer stated it might be an example of the governing body's authority to approach the DRA for an emergency expenditure or over expenditure in a situation where there is a budget committee and the DRA Commissioner cannot approve such without a majority approval of your respective budget committee. Mr. Edgerton explained somebody needed to over expend they came to the budget committee and we approved it and everything was okay. Mr. Kneuer explained the authority to grant it is invested with the Commissioner of DRA for the town and for the school district would approach the Commissioner of Education. The budget committee itself doesn't have the authority to say oh yes you can have additional appropriations to expend. Chairman LeFebvre questioned those two organizations have to go through the budget committee to the state. Mr. Kneuer If there is a budget committee and we just saw this with a school district they thought this was a viable option for their over expenditure need so it went to their budget committee and the budget committee said no and that killed that option. There other options they could explore but that one can be stopped by the action of the budget committee if there is one.

David Jensen questioned assuming the budget committee wants to hire a lawyer and since the budget committee doesn't have a legal budget who do we ask so we can hire our own lawyer.

Mr. Kneuer stated if we are talking about a use of RSA 32:23 it says at the expense of the municipality but this is to make petition and assuming the attorney is going to write the petition. Mr. Colbath stated there is a legal line item in the budget and there is a town lawyer if in any way there is a conflict of interest he would recommend another attorney. Mr. Jensen was facing the funding when we don't have a legal budget. Mr. Jensen we have a legal question as a budget committee and you want a legal opinion. Mr. Kneuer agreed your right you don't have an appropriation – it depends on the question. The town could entertain the question on behalf of the budget committee in their appropriation. Mr. Jensen explained unless they are the ones we are angry with. Mr. Kneuer stated this situation is adversarial and can't imagine the town counsel not having a conflict of interest. He is representing the board (selectmen) now being taken to court by another board (budget committee) and he is going to draft a petition to take them to court and then turn around and defend them. Mr. Colbath told Mr. Jensen to "get his own dam lawyer" but Mr. Kneuer explained the town can pay for it. Another point of jurisdiction or responsibility just as a reminder – last year in 2018 you saw the default budget statute be amended. The legislature has not seen fit to have DRA get involved in reviewing them, approving them or adjudicate questions about them. The DRA just differs. Our tax portal system has made things better in terms of speed but you can't get the default budget document out except through the completion of the budgets in the portal at which time it will let you start filling in the numbers so in that sense the default budget is per DRA sort of administrative rule in terms of format. So, that is it and as important as the default budgets are.

A couple of updates that Chairman Lefebvre thought you might be of interest:

Cheshire County - Conval Case

Cheshire County offered a decision on Conval case – three school districts sued the Department of Education. The State of NH Attorney General is going to appeal that to the NH Supreme Court and in 2020 we might have a major decision. Chairman LeFebvre questioned we could equate this to the Claremont Two case so some degree. Mr. Kneuer explained there were several decisions on the Claremont case -the idea was funding for the school was at heart of the superior court decision. Part of the decision was a certain part of the funding statute was unconstitutional hence the decision for appeal. The general concept is yes.

State Budget Impasse

Municipal bureau is to do their job right now and to politely ignore the impasse and do our preparation as we would. Going about business doing all the work in preparation of the normal tax rate setting time. We will be ready to set your tax rate whether you like it or not. Mr. Colbath questioned if Mr. Kneuer was part of that division that sets the tax rate. Mr. Kneuer stated yes he is the Supervisor of the Municipal Bureau and there are four municipal advisors. There are 259 tax rates and Conway is a tax and in Conway you have seven precincts – six. If in fact, they require a tax rate that is another tax rate. Each advisor has about one quarter of the 259 but that may involve up to 140 to 150 different entities. Conway, tax rate is going to involve TOC, six precincts, the local school district and Carroll County – that is one town. When you the budget committee kick off that process with the budget, then appropriations and year end financials unaudited and revised estimated revenues (other side of the budget process). Finance Director Gilligan added some extra clarification - there is an additional non fire related

precinct tax. Multi sections of the town pay the non-precinct fire contract. What makes it more complicated for Conway is several of our precincts three of them to be exact operate outside of Conway so we have to wait for the MS1 documentation and any outstanding budget documents from Albany and Bartlett. Mr. Kneuer explained to get Conway a preliminary tax rate requires so many other things ready and anyone of them stops us handing out a tax rate. Mr. Colbath stated at the town level we have been told it is almost as complicated as a city. Mr. Kneuer stated he uses Conway as an example because of all the Precincts – all the voted appropriations, MS535 unaudited, financials and revenues. All those phases and if one breaks down it stops the completion of the tax rate. Mr. Colbath stated there is a legal mandated deadline when it all has to be done. Mr. Kneuer questioned what deadline Mr. Colbath was referring to. Mr. Colbath stated October 1st. Mr. Kneuer explained there is a deadline in statute that state agencies are required to give the DRA certain figures. We (DRA) says to Finance Director Gilligan everything is ready time to review the revised revenues (the MS434). You estimated the Room and Meals and treasury is going to say – here is total based off population – Conway had this number and state has this number of people multiplied by this and that is the payment. DRA starts setting the tax rate as early as October 1st if the state numbers and with all those pieces and the county but anything can happens the last week of September requires the county to do a supplemental appropriation. If you don't have a tax rate for instance until the second week of December you're going to have a cash flow problem. Mr. Kneuer noted the County is December 17th. The whole system is built on timing. October 1st isn't a requirement to the DRA that they are mandated to set a tax on October 1ST. Mr. Kneuer noted there are years when nothing is ready on October 1st. The tax rate being a fraction while the DRA works on a numerator but the DRA needs the denominator – the MS1 the value of the property in Conway and that has to be verified by the bureau. Mr. Colbath questioned if DRA is involved in town re-evaluations. Mr. Kneuer stated not at all they take place by contracted assessors or municipal assessors. Mr. Colbath stated that is another variable that goes into the formula and because is in a re-evaluation year we need to get those numbers completed. Mr. Kneuer explained in a re-evaluation year it's not untypical because of what's going on and how much there is to do that it pushes the MS1. According to statute the MS1 is due September 1st but statute also allows the request and they are typically granted for an extension. Municipality knows if they don't turn in an MS1 DRA doesn't have a fraction and you don't get a tax rate. The rational (i.e. for the extension) is we are doing a rival and its going slowly or whatever it is. Everybody aims for September 1st. We are working right now filling in all the pieces and working with whomever. Ideally, October 1st would be great. October 1st if everything is ready the administration is going to get a preliminary tax rate. DRA will call the Town of Conway to go over the MS434 Revised Revenue Form for the selectmen to sign off on overlay and fund balance. When you say this is good and you return them it pops up on Mr. Kneuer screen for review. Mr. Kneuer doesn't want to run too much into the basics but asked if there was anything you want to review. The laws haven't changed except for multi-town bonding.

Review of 2011

Mr. Kneuer explained he is going off the DRA documents he has. It is an unusual application of the law with Conway being an SB2 town our going to have a default budget and that situation combined with the need per DRA to utilize RSA32:18 the 10% rule is very unusual. Mr. Kneuer only can locate three examples yours being one of them.

RSA 32:18: Limitation of Appropriations. –

In any municipality electing this subdivision, or any district wholly within a town electing this subdivision, the total amount appropriated at any annual meeting shall not exceed by more than 10 percent the total amount recommended by the budget committee for such meeting. In official ballot referendum municipalities, the recommendation of the budget committee made for the first session of the meeting shall be used for determining the 10 percent limitation. These totals shall include appropriations contained in special warrant articles. Money may be raised and appropriated for purposes included in the budget or in the warrant and not recommended by the budget committee, but not to an amount which would increase the total appropriations by more than the 10 percent allowed under this paragraph. The 10 percent increase allowable under this paragraph shall be computed on the total amount recommended by the budget committee less that part of any appropriation item which constitutes fixed charges. Fixed charges shall include appropriations for:

I. Bonds, and all interest and principal payments thereon.

II. Notes, except tax anticipation notes, and all interest and principal payments thereon.

III. Mandatory assessments imposed on towns by the county, state or federal governments.

Source. 1993, 332:1, eff. Aug. 28, 1993. 2004, 68:2, eff. July 6, 2004.

Yours is more interesting because of the way it transpired. From the DRA's perspective they are not monitoring your building of the budget. DRA might be looking at Warrant Articles. First thing Mr. Kneuer saw in the file chronologically is a legal letter to a prior director from a law firm caused him to standup and take notice 1) the budget committee will deliberate and present a budget to the school district that is substantially less that what the school board had brought them. The deliberative session will amend that budget committee budget and bring it back up. Mr. Kneuer explained the numbers aren't terribly important what is the idea went back up. That amended budget total and the default budget numbers were moved to the ballot where the voters of the school district will change the default budget. All of that is transpiring through February and March voting. The team in Concord is not monitoring on the ground. What we see next is the school district sending in an MS 22 in a town it would be MS232 Report of Voted Appropriations and the minutes. In the case of the school district and SB2 it's the deliberative minutes and we got the official ballot and the team is going to start evaluating whether those appropriations are approved or not. They arrive almost the same day as a letter from Upton & Hatfield. That is curious looking at all of these years later. The budget committee number here the voters put it up here and the default is also up here to the ballot and they choose the default number up here whatever it is was and an original budget committee recommendation down here. The first argument Mr. Kneuer sees is the DRA should not apply the rules of 32:18 the 10% rule because the voters voted the default budget and that's it. The next thing Mr. Kneuer saw is the DRA disagrees because the advisor saying we have to apply RSA 32:18 and therefore certain amount of the appropriation is being disallowed. This generated a response from the school district to DRA saying we beg to differ. That will cause a response from the commissioner of the DRA who will very politely say we have done our analysis and we beg to differ the decision stands. The DRA will say there is a remedy to this it's not to use RSA 32:18 if the district thinks this is not the best the district can approach the court and ask for a special district meeting and you can vote some more appropriation in. That is precisely what he saw. So the lesson eight years later in reading the court cases associated with the argument that the DRA should not apply RSA 32:18 in a situation like this. The court cases were much more an effect to the effect of Baker vs Town of Hudson and others cited were an admonition to the budget committee that a court can go in and say you what you didn't do your job properly by reducing

the recommended budget in the expectation the voters would put it back. That was the heart of the ruling. That was a caution frankly to a budget committee. Mr. Edgerton explained that really wasn't the intent - the intent was they could increase it somewhere. Example take 100 million dollars and take 10 million off it you have 90 million dollars and they can only increase that by ten percent which is nine million which is still a million dollars short of what they wanted. Even what the budget committee was set at. The budget committee felt they could increase it somewhere up near that but not exceed that. It wasn't meant to begin with that we take the whole nine percent. Mr. Kneuer explained the argument that came to the DRA it would do no good to come to DRA and make the argument these other cases were making. Somebody went to the superior court and said the budget committee actions in these older situations violated their duty under the budget law. The court upheld and said your right the budget committees aren't supposed to do that. What Mr. Kneuer saw was not that argument but a different related argument - this has happened the voters have overcome and chose the default budget but you're not supposed to use the ten percent rule. Mr. Edgerton explained if the budget committee had considered openly the intent was they would increase ten percent that makes it wrong. Mr. Kneuer the challenge wouldn't have arisen at DRA it would have been in the superior court. It would have been somebody versus Budget Committee of Conway. The cases that were cited and included with the letter seen at DRA are instructive for a different reason to Mr. Kneuer. Mr. Kneuer read Baker versus Town of Hudson, the Salem case and possibly another Conval case. Mr. Edgerton explained the budget committee didn't consider at the time was there were warrant articles that had to be not funded because they brought the total budget over what even the town had brought up. The warrant articles got hurt worse than anything else. Mr. Kneuer stated the lesson he wanted to bring out this was: 1) it is not his job to be telling you, anybody or a budget committee how to act it's merely recognition that past court cases have left some kind of guidance with respect to these kinds of deliberations. 2) if DRA sees no reason and no evidence that we have had another application with these set of factors that will be the analysis by DRA and the reason DRA was able to apply the ten percent rule and if you want to fix it you can fix it another way not by telling DRA not to use it because the ten percent rule itself addresses it. The first session is the deliberative session. Mr. Edgerton explained this year the ten percent was again addressed because the school was going to increase the tax rate ten percent. There were members of the budget committee thought that was excessive. The underground current of the budget committee Mr. Edgerton felt let the town have it and see what they do with it. Because they may get it this year but may get hammered next year. Chairman LeFebvre stated that gets into the political side of the house as a representative of state government cannot really address our political issues. Mr. Kneuer suggested reading the Hudson case its 1970 Baker versus Hudson. They are speaking about a budget committee - "An arbitrator such as the budget committee is given power by the legislature to reconcile these appropriation requests to maintain whether the tax load within is of manageable proportion". These arise because the answers given within that community just didn't sit well. Mr. Kneuer explained he read the cases because they were part of the record. Mr. Edgerton noted it almost too difficult to do for the budget committee to assume the tax rate is too big for the population and Mr. Kneuer explained you do the best you can to determine if there was a complete science to this would probably be automated and we wouldn't need anybody but since the default budget is part of the discussion. When Mr. Kneuer was here last year he mentioned to you the case of Kirk versus town of Weare which was about a default budget. In that case the superior court 1) gave standing to the plaintiff before the state

constitution was amended which has expanded the ability of people to have standing. In that case, the court said yes you should have standing and yes we agree and told the Town of Weare to actually change the default budget they had created because it hadn't gone to the ballot yet. This year a similar case Robert Collins et al versus Timberland Regional School District. This was decided in Rockingham County early this year. Mr. Kneuer will leave a copy of that case with Chairman LeFebvre. The court intervened because somebody said the default budget is not being constructed according the law. In Mr. Kneuer's opinion in reading it agreed. The only thing it was so close the court didn't feel and he read an except "although the boards compliance with RSA 40:13 therefore remains doubtful at this time, the court declines to issue the extraordinary remedy of mandamus and to order the board to adopt a certain default budget at plaintiff's request. For one, calculation of the default budget is guided by a precise statutory formula and that formula still leaves the board with some limited decree of discretion in calculating it. Finally, the importance of the fact - the public now stands as a beneficiary of the scrutiny the plaintiffs have placed on the issues that board should not be overlooked. It is apparent that this type of public scrutiny is what the legislature intended when it amended RSA 40:13 in 2018 to require the bodies responsible for calculating the default budget to identify both other specific items that change between previous year operating budget and the default budget and the reasons for each change. Plaintiffs have been able to raise legitimate questions about the board's default budget calculation. Based on the answers provided by the Board the plaintiffs have stated we are no longer confident in the board's ability to provide accurate information moving forward. The voracity and validity of all the board's documents should be called into question". The court came down pretty hard on the writers of the default budget but chose not to stop it. Thinking the fact there is so much discussion that the system was healing itself.

In Conway the budget committee writes the default budget. Chairman LeFebvre explained we work with the Town but the school board writes theirs. The budget committee can question it but cannot change it. Mr. Colbath explained in this case it was the school board who put the default budget together. The caution coming out of this or the reminder to whoever constructs the default budget is that this is two years in a row you're seeing a citizen (a taxpayer) go to the court and say in sense something is wrong make them redo it, make them stop it. The scrutiny and the legislature as the court is noting last year increased the transparency, increased the information because they want the taxpayer to have more opportunity to debate it. Although a reminder again, at deliberative you can talk about the default budget until your blue in the face but the legislative body cannot amend it. However when that session is over whether its budget committee writing or a governing body of the default budget they do have that last opportunity having heard something at the deliberative that can alter the default budget that they just put out from deliberation. You have a small window of opportunity to change it before it goes on the ballot. Again the nuance, the legislature wants the default budget - you can tell by their amendments to be even more transparent. It's going to engender more discussion, more debate but there is no vote at deliberative to amend it. It is an odd combination it's almost as if the more you talk about it it's possible the writer of the default budget takes a step back at the meeting and based on what we heard when we have two court cases one each year it may be the discussion might alter something before it ends up the 2020 version. Chairman LeFebvre stated to summarize it very briefly it is a political versus legal battle all the time to some degree. Mr. Kneuer stated it is always an issue to be debated. The fact it shows up in court cases is helpful

after the fact for those of us that aren't in a community paying for these court cases because it does lend some guidance, some things to for or possibly avoid.

Mr. Edgerton questioned according to what he just heard take the school as an example. Their default budget should budget committee each item that was change from the year before to justify the default budget. If they wanted to up or down or whatever it is every change because it should be in the previous budget. Mr. Kneuer that is the basic concept. Mr. Edgerton: Any change in that, they should footnote every single change to arrive at what they have for a default budget I thought that is what you said. Mr. Kneuer the statute speaks for itself, the court cases seen in this one look at last year's change and to take the time to quote it – yes - it is an effort on the part of default budget writers to tell the voter why that number that we start with – they bring over last year's starting number (operating budget) - starting point there is going to be an ending point please explain how you got from 10 million, 9 million or 10.5 million or whatever it is. Again, it changed from seventeen into eighteen or into nineteen as it were. What are you explaining and the idea about the contract that was new. Mr. Edgerton understood the contacts in the default budget are an increase. They should say every single thing that they changed to make the default budget larger than last year's budget. Mr. Kneuer - you start with ten million you're going to follow the law which now has more steps. Take this out, take that out and put that in and those things are going to be described on the default budget which the legislature was very clear literally and you tack it up on the wall. To answer your question, it should be transparent there still maybe arguments about what's there. Something will be there to get you from one number to the other. Again just a reminder, if you call and ask municipal if this is correct we are going to politely differ. It is not DRA's job to you tell you. Chairman LeFebvre explained we are putting Mr. Kneuer in a somewhat awkward situation to a large degree this is a political issue.

Mr. Colbath explained the default budget for the school district is only presented by the school board (governing body) but the municipal one is owned by the budget committee. Mr. Kneuer explained the town (i.e. selectmen) would have voted to confer that authority to budget committee. It begins with the governing body (i.e. the selectmen). If the voters say we would like to move it over – there is a vote. Mr. Colbath explained the selectmen do. Mr. Edgerton noted the budget committee works with the selectmen. Chairman LeFebvre explained that is not an issue here.

Mr. Kneuer from the DRA's yes if they had to say to somebody in Conway's case who is responsible for the town default budget it is the budget committee. Mr. Colbath – no Lilli – in some small sense the budget committee is putting their signatures on it. Whoever helps with the numbers that is fine they can explain the responsibility is with those who sign it to answer for it. You have that unusual situation in one case to be responsible for and one you are not. Mr. Colbath explained in the end we are passing fast and furious all those things around to sign and we are signing our lives away. Mr. Edgerton noted you are only responsible for signing for your position title. If you sign with nothing on it you're screwing yourself.

Mr. Kneuer asked as a budget committee if there are any questions I representing the DRA can answer now so your upcoming process is smooth – part of the reason I came up. Mr. Kneuer

thanked the budget committee for letting him look back it was a sore spot at the time eight years ago and he did not know it like way he knows it now. It was useful to him even though it's rare.

Chairman LeFebvre recommended to all members of the budget committee he has asked for questions that you wanted to ask of the town or school district. I will extend that to questions you want me to forward to the DRA. Our next meeting of budget committee is early December. Chairman LeFebvre will be out the 17th of this month until the end of October but you can send me anything to me by email or call the house phone which will be forwarded to wherever he is and he would be happy to talk with you at length. Please take advantage of this opportunity both on the town and school district side of the house and our ability to coordinate directly with DRA. Chairman LeFebvre noted this would be a useful exercise for all.

Mr. Kneuer state he is working on another area to talk about – there is great interest at the budget committee level with school districts. Again, this involves expenditures but maybe in the future this time next year or such that it is of interest. It will be something more than an academic exercise it is not your responsibility per say but some of these matter to everybody – you have written a budget for a school district and the school board is going to implement it. Frankly, here is the subject and when it happens it is difficult – when a school board is confronted with an unexpected and very high special education costs what do they do – it would be like the town for argument sake having three or four major roads wash out. You haven't planned for that how you adjust. Again, sort of out of your purview and Mr. Kneuer's but looking at only to be hopefully helpful. These are at least seven laws mostly coming out of the education finance budget area. Chapters like 195, 197, 198 and 189 that all can come into play at various times. Just to be able to describe what options are there to avoid misunderstanding that something is being done incorrectly or without authority. Mr. Kneuer is working on this and it's a possibility although again not quite in budget committee's wheelhouse but understands the budget committee writes a budget recommendation for a school district. Budget committee probably again is going to look at their expenditures and might be confronted. Mr. Edgerton explained you brought up a couple of interesting issues two or three roads have washed out and the town has to cover those and Mr. Edgerton stated he can look on the other side the school burns down you have to recover the school house and all the equipment during budget time. Mr. Kneuer explained the general concept of what to do when confronted with expenditures that far exceed what you planned for and there are a variety of options. Do we have agents to expend for capital reserve funds, do we have unanticipated revenue and so forth. Do we go to DRA with an emergency expenditure request? Frankly, if the road washes out the law is very clear the board will take whatever steps for public safety. The board will fix the road tomorrow they will spend the money. They show up at DRA they haven't even asked for permission. When they explain the nature of the emergency you know that is okay. One is particular involving special education you have federal mandates and federal funds. You have a section in 186C the legislature embedded if those expenditures are eligible for reimbursement through the state this is what a professional in special education will determine. If those expenditures are exempt from the budget law (i.e. you spend them and if it puts you over you are exempt". That is a powerful one sentence piece of knowledge. That is one of seven laws that are in play if special education not the roads. There are some peculiarities about that and it happens enough that Mr. Kneuer is going to study. He had to for a particular case and it might be useful if he is comfortable to say let's just look at this in case you ever see this coming or happening. What is a supplemental and if the budget

committee had one. Chairman LeFebvre had the school district propose what would be into next year's warrant – as a supplemental appropriation as the warrant starts in July the supplemental is an appropriation for the year they are in. It is counter intuitive and it's good because it means they are not in a predicament. If they need to use and you have never seen it you know how that works. Mr. Edgerton that might have come close with special education – you could have a family move into town on December 1st and screw the whole thing up. Mr. Kneuer you could have a particular situation it turns out a special needs student now going to need more. Mr. Jensen questioned if anyone in the state created a capital reserve for special education. Mr. Kneuer explained these are generally described as expendable trust funds but yes. Finance Director Gilligan explained she is also responsible for the trust funds for the Trustees of the Trust Funds held by the town which are monies for capital reserve, expendable trusts as well as school and all of our precincts as well as cemetery accounts and multiple scholarships. The school does have a reserve account specifically for special education that is well funded. Mr. Kneuer explained depending on the size of the district and size of the unanticipated special needs arise. This district did exactly what I would have said to do – they had a reserve fund they tapped it still wasn't enough, they had supplemental appropriation on the warrant still wasn't enough that is how extreme it can be. All those tools in that tool kit, the knowledge there and when to use the law says up to December 31st. Mr. Kneuer is still working out the wrinkle that tax rate being set. You can ask for more money from your voters, you can have a special meeting and appropriate more but December 31st you're done. You can't do it the law says that where you get this supplemental you're going to put it on the warrant in March even though it's for needs right now.

Mr. Edgerton noted our town is running January 1st to December 31st and school is July 1st to July 1st. Mr. Kneuer explained we have to keep in mind from their perspective. Again, in the school law it's an unusual restriction but it creates what is known as supplemental appropriation and then there is a corresponding - all these changes was in the 1990's. Mr. Edgerton explained he was one of the ones to ask the school to change to July 1st for a particular reason it allows the town not be have to borrow money. That's what came out we have to hardly ever borrow money. Finance Director Gilligan stated she hasn't take a TAN (tax anticipation note) since 2014.

Mr. Colbath question if Mr. Kenner's division is responsible for room and meals taxes – and Mr. Kneuer answered no. Mr. Kneuer explained Department of Revenue collects state taxes such as that. Municipal and Property never see any actual money. We're kind of like a little bubble inside we deal with the revenue accounting. The room and meals tax will be collected and transferred back to the town. Mr. Colbath questioned how they account in with temporary season rentals. Mr. Kneuer does not but you can probably call down to DRA taxpayers services and start that conversation.

Chairman LeFebvre thank Mr. Kneuer for coming up it has been educational for everyone and putting up with our questioning. We appreciate your coming up from Concord. Mr. Kneuer departed the meeting at 4:25 p.m.

Chairman LeFebvre stated there are other items to discuss.

Minutes

Chairman LeFebvre stated we have the review and approval of the outstanding minutes from June 26, 2019 and reminded those present if you were not at the meeting you cannot vote. Mr. Colbath questioned if the minutes could be differed. Chairman LeFebvre state the minutes will be deferred on the request of the select board's representative.

Old Business

There was no old business discussed at this meeting.

New Business

In front of you, you should have been given a full budget for the year 2020. This is a proposed letter to the non-profit organization (copy attached). It has been modified by Chairman LeFebvre to include paragraph three subparagraphs one and two and to change the word in the last paragraph from by the deadline from "may" to "will". The rationale in writing these changes was very simply to help us encourage the nonprofits to provide us with more detailed information necessary for us to do our job. Chairman LeFebvre brought this up to the board of selectmen yesterday and they asked us to take a look at this as a group. Because unfortunately, he mentioned this earlier he will be leaving town on the 17th of this month and won't be back until almost November and our next meeting is not until December. He would like to discuss this and make a recommendation or a motion one way or another on these changes. If anyone has any questions on the changes he would be happy to address them.

Motion of Mr. Jensen second by Ms. Leonard to accept the letter with changes.

Discussion: Mr. Colbath explained whatever was voted today you're going to have on a form because he is going to take it back in Chairman LeFebvre's absence to the selectmen. Chairman LeFebvre explained if they vote this letter as it is written currently you will take this letter back if they change this in anyway shape or form, Chairman LeFebvre will modify the letter and get it to Mr. Colbath. Mr. Colbath noted because he is taking it back on behalf of the budget committee to the board of selectmen he is going to abstain from vote. He will take it back and represent whatever the wishes are of this board today. Ms. Leonard stated she loved the letter it is clear and concise and puts the ownerness on them to be prepared. Chairman LeFebvre stated one of the rationale for that was an organization last ear who unfortunately blew the statutory deadline and requested an exception to that policy which the budget committee cannot grant because it's a statutory requirement. Mr. Colbath noted just a point of order we alternate the nonprofits coming in – the town hosted it last year so it will be the budget committee. It is going to be held at the library and that is the only meeting held to be held at the library.

Chairman LeFebvre called for the vote on the motion on the floor. Motion carried by hand vote 8-0-1(Mr. Colbath abstaining).

Mr. Colbath state is pretty sure from the conversation at last night's meeting the board of selectmen will approve it. They just felt it should come to the budget committee first. Mr. Colbath doesn't believe there will be an issue.

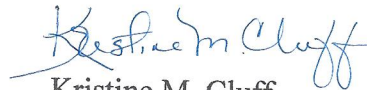
Public Comment

There was no public comment at this meeting.

Adjourn

Motion of Mr. Colbath seconded by Mr. Edgerton to adjourn this public meeting at 4:31 pm. Motion carried by voice vote 9-0-0.

Respectfully,



Kristine M. Cluff
Recording Secretary