

Hanover Finance Committee (HFC)

Minutes

April 17, 2023

Location: Main Fire Station, Conference Room/EOC, 48 Lyme Road, Hanover

Attendees: Kari Asmus (Chair), Carey Callaghan (Vice-Chair), Bill Geraghty (Selectboard Member), Kimberly Hartmann (School Board Member), Herschel Nachlis (via Zoom), and Greg Snyder.

1) The meeting was called to order at 5:50 p.m.

2) Public Comment

The question was asked how the location for meetings is chosen. The Chair responded there are several factors. Among them: Whether the committee is allowed in the building after hours with or without Selectboard representation, and whether the committee is allowed to have access to the Wi-Fi in the building.

3) Review and Reordering of Agenda

The Chair added “Budget and Audit Update” after the bond discussion.

4) Determine Position, if any, on Proposed Bonds for Town Meeting

a) Article 9: Wastewater Facility (\$22M)

b) Article 10: Water Distribution (\$7.8M)

The committee reviewed the available payment schedule for the two bonds and the combined projected impact to rate payers—information that was first presented in February. In discussion it was noted that the current expected rate increase is closer to 6.8% for FY24 rather than the stated 2.45% which is independent of the bonding.

The breakout of interest and principal payments, the loaning entity, planned contingencies, and actual amount to be borrowed will be determined by the Selectboard as the warrant article grants them that authority. HFC may have the ability to review the terms and advise the Board as it did with the recent bond for bridges.

The committee noted 1. the need to comply with state and federal requirements, 2. the desirability of updating antiquated lines and addressing lead “goose necks” that may exist, 3. the availability of grants and other offsets including contributions from sewer rate payers in Lebanon and the retirement of current bonds, and 4. the relatively low current rates charged in Hanover when compared with other municipalities.

On Article 9, Asmus made a motion to support, Nachlis seconded, and the committee voted unanimously to support.

On Article 10, Snyder made a motion to support, Hartmann seconded, and the committee voted unanimously to support.

c) Article 11: Fire Engine (\$1.2M)

Although no payment schedule was provided by administration, the Chair shared a spreadsheet with information from the updated Fire Capital Improvements Plan (CIP) showing that three engines will be bonded over the next 12 years. Assuming an interest rate of 2.5% on either a 15- or 20-year note, combined bond payments looked attractive when compared to payments into the capital reserve fund over a 10-year horizon, but the spreadsheet understated the amounts likely to be bonded and the actual interest rates are unknown. It was also noted that depending on the life span of an engine, a 20-year bond might not be an option.

The committee discussed the fairness to current vs. future taxpayers in switching from the practice of reserving funds in advance to bonding, and noted that this topic may be taken up by the proposed CIP Committee.

While acknowledging remaining questions, the committee noted the desirability of ordering the engine now to lock in the price and insure delivery in two years.

Hartmann made a motion to support, Callaghan seconded, and the committee voted unanimously to support.

5) Update on FY24 Budget and FY22 Audit

The Chair shared that the warrant as finalized failed to include \$32,000 in funding from the Road Construction Capital Reserve Fund. It is unclear if that amount can be covered by additional use of Undesignated Fund Balance (UFB) or if it will need to be covered by additional general taxation. If the former, that would bring the “effective tax rate” increase (i.e. the tax rate if there was no usage of UFB) to 10.9%; or if the later, it would bring the general fund tax rate to \$4.44, an increase of 6.99%.

The Chair also noted an administration statement that despite the large increase in salary-related appropriations, the budget was brought in with an approx. 6.5% tax increase due to a tightening in other line items. At the last Selectboard meeting, the Chair again asked for examples of this.

Looking at the numbers, it appears that the gap between additional appropriations and the amount raised by new taxation is being filled by 1. the use of UFB (\$639k), 2. misc. interest and fee increases (\$300k), 3. retirement of community center bond (\$79k), 4. growth in the Net Assessed Valuation (\$73k), and 5. the reduction in the employer contribution to the NH Retirement System.

Required information on the previous year's audit will not be included in the Annual Report again this year. The Finance Director is now able to share FY22 Trial Balances and Journal Entries for each of the main funds.

A discussion ensued regarding the existence of Selectboard policies and practices to ensure financial accountability. The committee would like to follow up on this.

6) Determine Position, if any, on Article 27: Contingency Fund

While there were concerns that this article contributes to a reliance on UFB and allows for a more relaxed approach to managing the budget, administration has argued that it is needed as fewer "cushions" now exists elsewhere in the budget. The committee declined to take a position.

7) Determine Position, if any, on Any Other Warrant Article

None taken, though it was questioned why increases in some stipends were separate warrant articles when those for Selectboard members were not.

8) Approval of Minutes

a) Committee meetings of February 13, March 16, and March 29, 2023

Hartmann made a motion to approve, Snyder seconded, and the committee voted unanimously to approve.

b) Selectboard/Committee meeting of March 20, 2023—Approved as amended.

Hartmann made a motion to approve, Snyder seconded, and the committee voted unanimously to approve.

9) Report of Chair

a) Town Meeting, May 9, 2023

b) The next committee meeting will be after Town Meeting. TBD

c) Annual Appointments—Mac Gardner is not asking to be reappointed.

d) Annual Review of Budget Process and Goal Setting is deferred to May

e) The committee gave retiring Selectboard member Bill Geraghty a standing ovation for his many years (10+) to the committee and the community.

10) Report of Selectboard Member

Bill updated the committee on his coming role as President of the Grafton County Senior Citizens Council and the importance of their work.

11) Report of School Board Member

Kim Hartmann reviewed the latest re: the state budget. Hanover is no longer expected to receive a large windfall, but some additional aid is still in the proposed budget.

12) Adjournment